The Hague Centre for Strategic Studies

BALANCING ON THE BRINK

VULNERABILITY OF STATES IN THE MIDDLE EAST AND NORTH AFRICA

The Hague Centre for Strategic Studies

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BALANCING ON THE BRINK: VULNERABILITY OF STATES IN THE MIDDLE EAST AND NORTH AFRICA

The Hague Centre for Strategic Studies (HCSS)

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EXECUTIVE SUMMARY

Study IV – Instability in the Periphery of Europe

The number and intensity of inter- and intrastate conflict has dropped dramatically since the end of the Cold War. However, this downward trend is somewhat reversed in recent years, not least due to an increase in conflicts on the fringes of Europe –the Middle East and North Africa (MENA) in particular. Political upheavals have spurred hopes for a better future of the region, but this is far from guaranteed. In the short-term, conflict has increased and destabilized many MENA countries. This is particularly concerning for European states, because destabilization and conflict may affect our own security and prosperity. Refugees are fleeing civil war torn Libya and arriving at the coast of Lampedusa, the Arab Spring sparked energy security concerns across the globe, and European jihadists are now fighting in Syria.

We have analyzed these different vulnerabilities and have identified four pathways to conflict in order to assess future trajectories. Specifically, we analyzed how political turmoil, poor economic and social conditions, fuel export dependency and ethnic and religious tensions may spark conflict in the region.

Political turmoil. Countries confronted with a changing political landscape, or with regimes facing existential threat, are more vulnerable to conflicts. They are less apt at mitigating turmoil, and fragile institutions create an incentive for people and groups to try and shape the political context. This is particularly so when political turmoil is violent in a state where power is, or was, highly concentrated. Highly vulnerability states are: Iraq, Yemen, Libya, Syria, and Mali. Countries with a medium vulnerability are: Egypt, Tunisia, Bahrain, and the Palestinian Territories.

Economic and social issues are widespread throughout the region and regularly spark protests. The Arab Spring has amplified economic problems in many countries, especially in countries that were most affected by the upheavals. In richer countries in the Gulf, food and water issues are predominantly an economic concern that governments can buy-off by subsidizing consumption and importing water and food, or investing in desalination and irrigation. Elsewhere, this is financially difficult. The situation is compounded by large cohorts of unemployed youngsters, which offer a 'supply of cheap rebel labor'. Highly vulnerability states are: Iraq, Yemen, Libya, Syria, and Mali. Countries with a medium vulnerability are: Egypt, Tunisia, Bahrain, and the Palestinian Territories.

Fuel export dependent countries that rely on oil and gas revenues to fill state coffers and have limited financial buffers are more vulnerable to a decline in oil price. Highly vulnerable states are: Iraq, Yemen, Libya, Syria, Palestinian Territories, Mali, and Egypt. Countries with a medium vulnerability are: Algeria, Jordan, Tunisia, Morocco, and Iran.

Religious and ethnic tensions are widely spread throughout the region, with multiple states remaining vulnerable to specific types of religious and ethnic conflict. Large-scale conflicts may erupt due to nations looking for a state or sizeable ethnic and/or religious groups vying for state control. Smaller-scale ethnic and religious violence may emanate from (smaller) extremist groups where state control of territories is poor, or where governments suppress minorities. Countries to watch for secessionist movements are Kurdish areas (Iraq, Iran, Syria, Turkey), Morocco (Western Sahara), Yemen, Mali, Algeria, Libya, and the Palestinian Territories. Countries with a high vulnerability to conflict due to a struggle for state control are: Bahrain, Egypt, Libya, Syria, Iraq, Jordan, and Lebanon. Countries to watch for smaller scale ethnic and religious violence are Iraq, Yemen, Mali, Iran, Egypt, Algeria, Morocco, Saudi Arabia, Tunisia and Kuwait.

From food riots to nations struggling for statehood, these four roads to conflict help gauge state vulnerability to specific forms of conflict. There are hopeful developments, such as the green shoots of new democracies. But democratization is no one-way ticket to stability. And the path to conflict may continue to Europe, affecting the security and economic interests of states on the continent.

Secondly, we have analyzed how conflicts in the MENA-region affect the security and economic situation in Europe. From a security perspective, we identified five risks:

- *Refugee flows* are mostly a regional concern, but increasing conflict on the borders of Europe does lead to increasing (illegal) immigration, especially to such Southern European countries as Cyprus and Malta. Indirectly, this puts pressure on EU visa agreements and may fuel social instability in countries with large refugee communities.

- *European jihadists* may be drawn into conflicts. The return of these battle-tested veterans poses an increased national security risk. Although the precise risks are difficult to assess, future sectarian and easily accessible conflicts may draw in similar amounts of foreign fighters as is now the case in Syria. Lebanon, Iraq, Libya and to, a lesser extent, Mali and Algeria are vulnerable to these dynamics.

- *Terrorist attacks* on European targets in the region is an increasing concern in countries where state authority is weak, such as Iraq, Yemen, Libya, Syria, the Palestinian Territories and Mali.

- *Organized crime*, such as drug trafficking and weapons smuggling, is (still) predominantly a regional concern. Human trafficking is increasing following conflicts on the borders of Europe.

- *Horizontal escalation of conflicts* does not seem very likely, but conflicts worsen the security and humanitarian situation in the region and may thereby lower the threshold for European states to intervene militarily.

Further, these developments will have economic impact as well. *Increasing oil prices* may impact European interests. Actual conflict, or the fear of increased violence in the region has historically driven up oil prices. Since most European countries import most of their oil to meet their energy needs (exceptions are Norway, Denmark, and, to a lesser extent, the UK, Romania and Estonia), this has the potential to hamper European economic growth. This is even more concerning in countries with very fuel-intensive economies, as is the case in many Eastern European countries. This danger is particularly high when conflicts erupt in or near the oil-producing countries or important trade routes.

Fuel supply disruptions are less problematic than price spikes, but due to the rerouting of imports they may nevertheless lead to short-term economic problems. Interruptions of gas imports are most concerning, since gas is less fungible and sold on regional markets. This renders European states that import gas from Algeria – France, Spain and Italy – particularly vulnerable to supply disruptions.

Further, interruptions of (non-fuel) *trade flows and poor return on investments*, may impact European states as well. Investments are relatively small, with around 1% of GDP in FDI stocks in the region in 2012, and 2.68% of GDP in (non-fuel) trade volume in the same year. Most trade and investment goes to and comes from more stable states in the region (Turkey, the UAE and Saudi-Arabia). Yet France, Italy, Spain and Portugal also trade relatively more with more vulnerable Northern African countries such as Algeria, Libya, Tunisia and Egypt.

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1.1 Introduction

Since the end of the Cold War, the number and intensity of inter- and intrastate conflict has dropped dramatically.[1] However, this downward trend is somewhat reversed in recent years; not in the least due to an increase in conflicts on the fringes of Europe – the Middle East and North Africa (MENA) in particular.[2] Political upheavals have spurred hopes for a better future in many countries, but this is far from guaranteed. And in the short-term, conflict has increased and destabilized the region. This is especially concerning for European states, because destabilization and conflict may affect our own security and prosperity. Refugees are fleeing civil-war-torn Libya and arriving at the coast of Lampedusa, the Arab Spring sparked energy security concerns across the globe, and European jihadists are now fighting in Syria. Such security contingencies become increasingly important in light of the American rebalance towards Asia, which may well mean Europe will have to step up its role in the region.[3]

The current turmoil offers opportunities as well as threats.[4] We now hail the French Revolution as a definite moment in the struggle for freedom. But it took many decades, and some gruesome regimes with less than solid human right records, before stability returned and democracy took root. Similarly, regime changes in the MENA region are unlikely to lead to stable democracies anytime soon. But in the long run, conflicts may lead to more stable, prosperous and free societies, which may offer economic opportunities for European nations as well. And this, too, is particularly relevant for European states, since regional stability may very well be influenced by how they wield their political, economic and military instruments.

In this paper, we will zoom in on the vulnerability of the countries in the MENA region to specific types of conflict and assess the security implications for Europe.

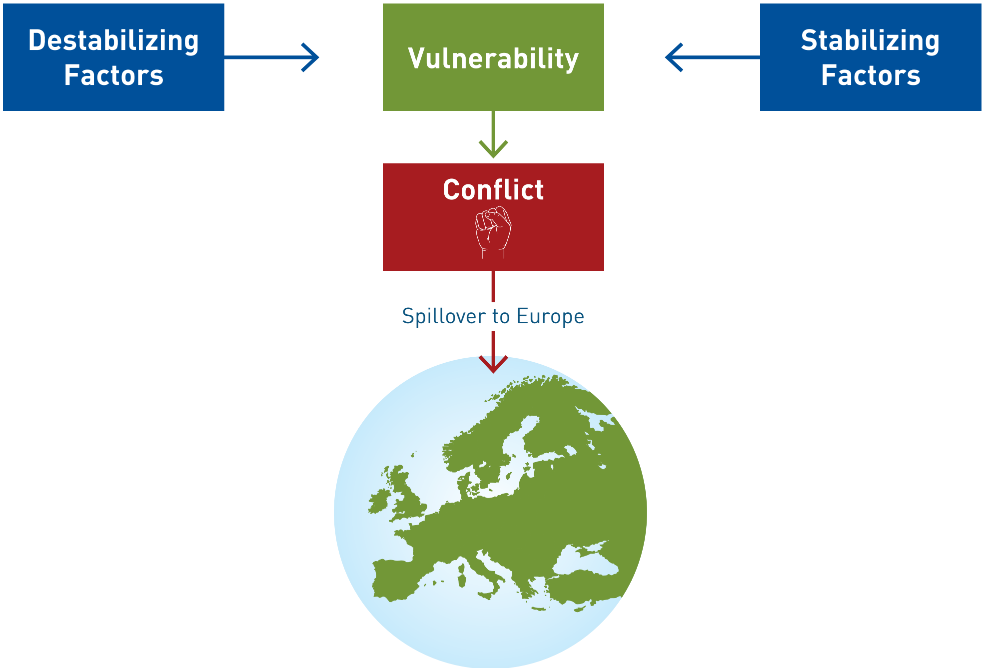


FIGURE 1.1: VULNERABILITY FRAMEWORK.

Vulnerability is defined as the extent to which a country is unable to absorb and manage current and future risk factors and take advantage of external stabilization (see Figure 1.1).[5] Unstable states are more prone to conflict, which may in turn spill over to Europe.

This paper is organized as follows. In section 1.2 it briefly analyzes the Arab Spring. In section 1.3 it provides an overview of the vulnerability for conflict of the MENA countries. The following section, 1.4, describes various country specific pathways to conflict. Section 1.5 gauges the possible security effects of these propensities for instability and conflict on Europe. And finally, section 1.6 concludes with the key security implications from our analysis.

1.2 The Arab Spring

In recent years the MENA region has become the scene of mass protest, toppled regimes, and civil wars. This is especially the case since the Arab Spring: the number of violent conflicts in the region has increased from 21 in 2010 to 48 in 2013 (see Figure 1.2).

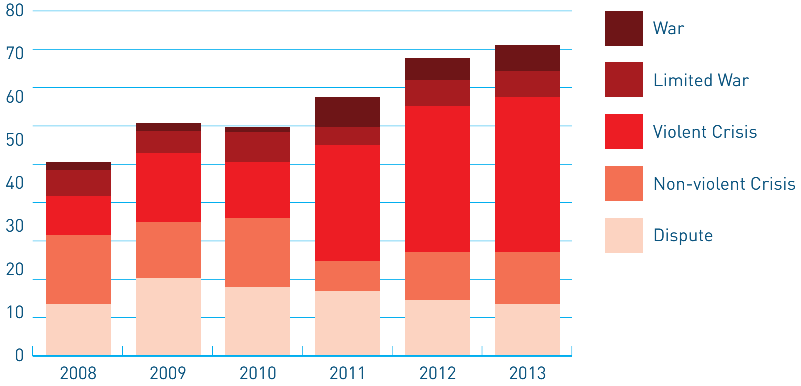
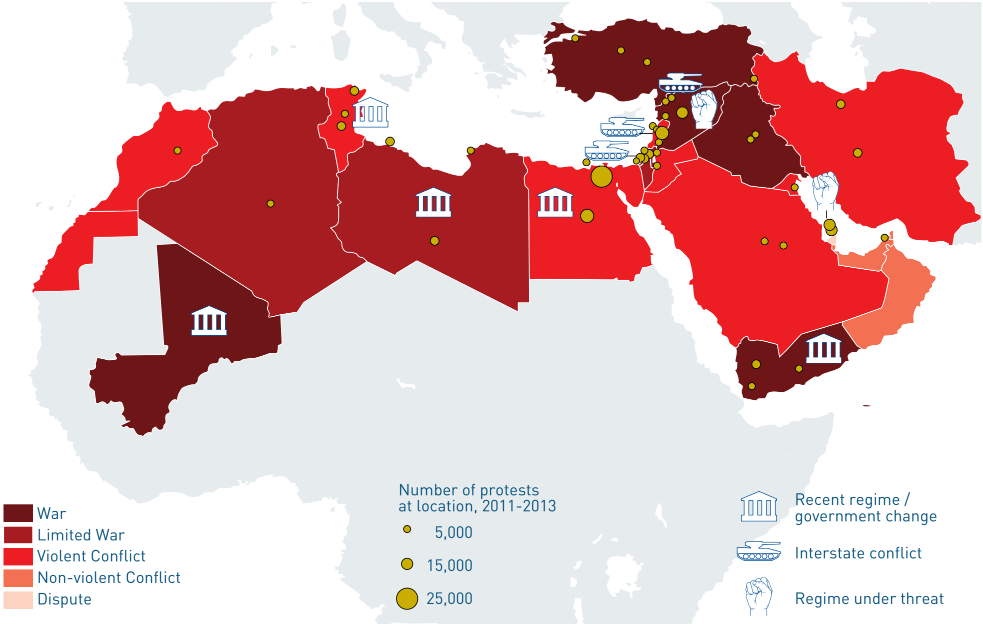


FIGURE 1.2: CONFLICT INTENSITY IN THE MENA REGION (SOURCE: HIIK CONFLICT BAROMETER 2008-2013).[6]

Before 2011, the dominant view was that security in the MENA region was best guarded by autocrats. Arab regimes were seen as the exception to democratization theories explaining regime change, because of the supposed incompatibility of Islam with democracy,[7] their institutional make-up,[8] the powerful role of security forces,[9] or oil rents.[10] And in international politics, many believed supporting autocratic regimes a necessity in order to maintain stability and secure interests, including stable energy supply, fighting terrorism, and safeguarding Israeli security.[11]

This frame shifted after the revolts (see the dots in Map 5.1) that spread after the self-immolation of the Tunisian fruit vendor, Mohamed Bouazizi. Talk of "Arab Exceptionalism" was replaced by the paradigm of the "Arab Spring", the hope that a wave of democratization would ripple throughout the region. Though it is too early to predict the long-term effects, these expectations turned out premature at best. Some have argued that after Spring, Arab states are skipping two seasons, and Winter is coming.[12] Whatever the prospect, as Henry Kissinger remarked, we are currently in "Scene One of Act One of a Five-Act drama".[13]

Though developments in Tunisia may provide ground for some optimism, the situation in post-Arab Spring states remains extremely uncertain. Egypt's military ousted president Morsi and announced a state of emergency. Libya is on the brink of becoming a failed state. Although president Saleh had to flee from office, he and his party still dominate politics in Yemen. A civil war erupted in Syria, which is escalating into neighboring countries (see Map 1.1). In Mali, only outside military intervention could push back an alliance of Tuareg rebels and al-Qaeda fighters with arms and ammunition picked up in civil war torn Libya. And Shi'a-led protests in Bahrain were violently repressed with help from Saudi Arabia. In total, hundreds of thousands of people have died or fled their homes, billions of dollars in economic productivity has been lost, and the region is rife with the seeds of conflict.



MAP 1.1 CONFLICT IN THE MENA REGION (2011-2013), SHOWING COUNTRY INTENSITY, LOCATION AND INTENSITY OF PROTESTS, REGIME CHANGES, POLITICAL INSTABILITY AND INTERSTATE CONFLICTS. (SOURCE: HIIK CONFLICT BAROMETER 2013; GDELT).[14]

The causes of conflict vary.[15] High unemployment levels and youth bulges have played a role in fuelling most protests. And social and traditional media accelerated the spread of revolts throughout the region.[16] But there was not just one road that led to revolts.[17] Rising food prices spurred protests in Egypt, Syria, Libya and Yemen, but played a minor role in Tunisia and Bahrain. Whatever the causes, the drivers of the Arab Revolts are still brewing under the surface and could spark future conflict. In addition, other developments, such as a drop in oil prices, or changing ethnic and religious demographics, could lead to protests, revolts or even outright civil war. Below, we focus on these different roads that may lead to large-scale violence in coming years. We first present aggregated vulnerability scores based on factors correlated with conflict. Then we single out four different paths to conflict. Because the most severe violence takes place domestically, we focus on intrastate conflicts.

1.3 Birds-eye View of Regional Vulnerability

The MENA region contains some of the most fragile states in the world. The State Fragility Index (SFI) of the *Center for Systemic Peace* provides a quick overview of overall state vulnerability. Iraq, Mali, and Yemen appear most fragile (see Figure 1.3).[18] As in Algeria and Libya, governments in these countries are generally inept (or at least perceived as such) in running the economy, enforcing security, addressing social needs, and running a stable and open political system. These vulnerabilities render states much more prone to conflict, which is even further increased by recent or ongoing conflict.

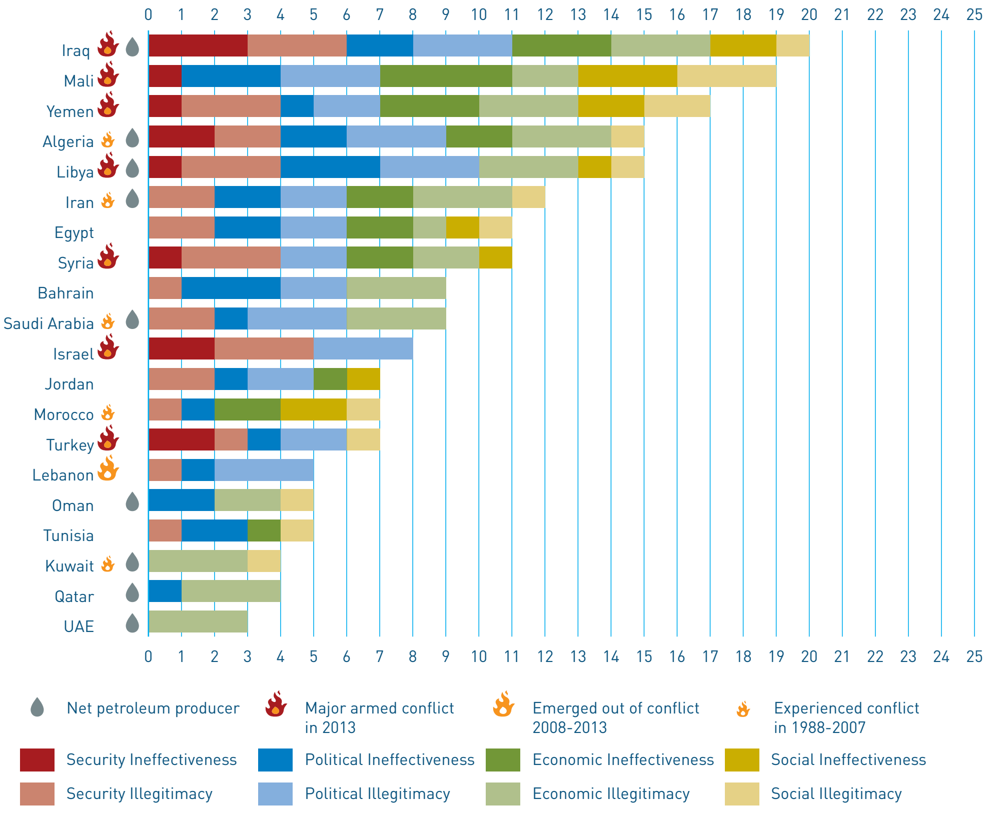


FIGURE 1.3: FRAGILITY OF MENA STATES (SOURCE: STATE FRAGILITY INDEX 2012).[19]

Other countries in the region, Iran, Egypt and Syria in particular, suffer from similar ailments – although to a lesser extent. The situation in Syria, especially, is compounded by the current civil war.[20] And Israel and Turkey suffer from long-standing violent conflicts with the Palestinians and the Kurds respectively. Other states such as Saudi-Arabia and Bahrain are much more peaceful, but the SFI ranking points to the vulnerabilities simmering below the surface: despite a relatively high GDP per capita, these Gulf states preside over an ineffective and illegitimate political system, and have economies that are highly dependent on oil exports, which renders them vulnerable to oil price shocks.

Finally, there is a cluster of countries with low fragility: Lebanon, Oman, Tunisia, Kuwait, Qatar and the United Arab Emirates (UAE). With the exception of Lebanon and Tunisia, these are some of the richest countries in the region with relatively good social conditions and little security concerns. As we will see in the sections below, Tunisia and Lebanon face rather extensive economic and security (and in the case of the latter: sectarian) concerns, which the SFI ranking does not account for.

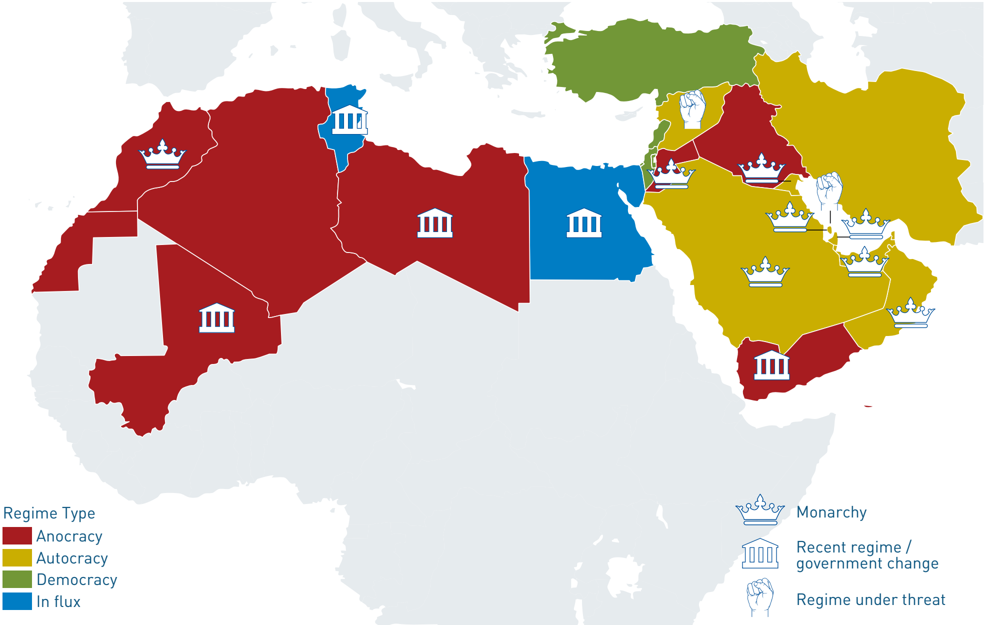
1.4 Paths to Conflict

It is one thing to say Mali is more vulnerable than Bahrain. But a sharp drop in oil prices may well spur conflict in the latter, while leaving Mali relatively untouched. Overall vulnerability scores like the SFI index can give an idea of which states are most vulnerable, but conflicts are the result of an interplay of drivers that flare up under specific circumstances. Such drivers of vulnerability (e.g. fuel-export dependency, ethnic tensions) are structural factors that tend to change only gradually. Thus by looking at different *types* of vulnerability to specific forms of conflicts, we not only get an idea of what causes conflict, but also some measure of predictability. And such an approach can point to leverage points for policies aimed at increasing stability. In the sections below we look at the vulnerability of MENA states through the lens of four types of vulnerability: political turmoil, poor economic and social conditions, fuel export dependency and ethnic and religious tensions.

Political Turmoil

Political turmoil increases the vulnerability of a state to large-scale conflict.[21] Such instability may manifest itself in conflicts before, during and after regime change. And to be sure: such political change may be preferable, such as when an autocracy is toppled, thus opening up prospects to more democratic, humane and prosperous societies. But even under the best of circumstances, regime change is rarely a one-way ticket to stability. More often than not, it opens up a quagmire of violence. The current intrastate conflicts that followed regime changes in MENA states are signposts of the difficult road ahead.

One indication of the increased vulnerability is that now, all North African states, and Iraq, Jordan and Yemen, have regimes in place that show signs of both a democracy *and* an autocracy (see Map 1.2). Evidence suggests that such mixed regimes, also called "anocracies", are relatively unstable: over the last 50 years, they were ten times more likely to experience intrastate conflict than democracies, and two times more than autocracies.[22]



MAP 1.2 FACTORS INFLUENCING FUTURE POLITICAL TURMOIL IN THE REGION. ANOCRACIES AND STATES THAT HAVE EXPERIENCED VIOLENT REGIME/GOVERNMENT CHANGE OR STATES THAT EXPERIENCE LARGE-SCALE REVOLTS ARE MOST VULNERABLE (SOURCE: POLITY IV PROJECT, 2011, 2012).[23]

Looking into more specific traits of regimes and political change, vulnerability is **highest** in countries where demands for political change turned violent, as in **Syria**, **Libya**, **Yemen**, **Iraq** and **Mali**. It is no coincidence that these states, with the exception of Mali, all have or had regimes where power was concentrated in the hands of one ruler.[24] Such "personalist regimes" generally tend to be inert to political change. The power base is narrow, with a limited number of people depending on the ruler, and opposition groups are often fragmented.[25] Gaddafi, for example, skillfully minimized opposition to his autocratic rule by playing the different tribes in Libya out against one another. But the Libyan civil war also shows that *when* regime-threatening developments occur, autocratic rulers rarely resist the temptation to crack them down violently.

Historically, the chances of successful democratization in personalist regimes like Libya are particularly slim. Over half of all autocratic breakdowns have ended in another autocratic regime, with personalist autocracies twice as likely to be succeeded by some form of autocratic regime than by a democracy.[26] Toppled personalist regimes often fall into a power vacuum lacking political institutions, effective law enforcement, political parties or professional news media. This increases the risk of conflict breaking out, which in turn jeopardizes democratization.[27] Because of the absence of such conflict mitigating institutions, formerly disenfranchised groups for example are more likely to radicalize demands (e.g. religious freedoms, self-government) that were hitherto suppressed. This is what happened in Iraq, which saw sectarian violence flare up when Saddam's Sunni Ba'ath party was ousted and formerly suppressed Shi'a groups came to power. Fledgling institutions were ill equipped to mitigate these demands peacefully, sparking a decade of sectarian struggle. Similarly, the end of the civil war in Libya left the country with a dysfunctional new government that proved unable to demilitarize militias and control large parts of the country – which consequently fell into the hands of tribal warlords and religious extremists. And after Yemeni president Saleh fled to neighboring Saudi Arabia, Yemen suffered numerous violent attacks by Southern separatist, the Northern Houthi tribe and Muslim extremists (see the section on Religious and Ethnic Tensions). The ongoing civil war makes Syria extremely inflammable. Even if the rebels win, the sharp differences in ideology and preferred state system between fighting factions make the emergence of a stable democracy uncertain.[28]

Regimes that suffered less from a personalist cult, like **Tunisia** and **Egypt**, had a more diverse power base and much higher chances of successful democratization.[29] This renders them **somewhat less vulnerable**. Leaders in these regimes shared power with a wider political party and military forces. And because the military in these states viewed itself as loyal to the state instead of the regime, it was able to drop support of the sitting autocrat, switch sides and support the rebels. Though the Mubarak regime had strong personalist traits, the powerful military could operate as a stand-alone and well-organized institution. This is one reason why, historically, military regimes are almost twice as likely to turn into democracies than any other autocratic regime.[30] And political change in such states also tends to be much more peaceful.[31]

Though the regime in **Bahrain** did not fall, it remains highly vulnerable to political turmoil. Deeply rooted regime threatening protest could only be curbed with the aid from Saudi Arabia (on which more below) and look unlikely to abate anytime soon. The fledgling political apparatus of the **Palestinian Territories** is furthermore suffering from a myriad of ills – ineffectiveness, fragmented control and disputes over territory, political fragmentation and high levels of domestic conflict. All these factors make for an instable political situation, manifesting itself in high levels of insecurity.

Algeria, **Iran**, **Lebanon**, **Turkey, Morocco and Jordan** suffer from **low but still significant** vulnerability to conflict coming from political turmoil. Algeria has seen protests for more political rights in the face of "*le pouvoir*", the opaque political elite run by a strong military regime. The increasing foothold of Islamist terrorists and Islamist political parties (see also the section on Religious and Ethnic Tensions) and the ill health of president Bouteflika, who had a stroke in 2013 and has hardly appeared in public since, make the country susceptible to future violence. And though the largest protests in Iran were prior to the Arab Spring, with the 2009 Green Movement demonstrating against rigged elections that saw president Ahmadinejad stay in power, Iranians continued to go out into the streets in 2011 and 2012 (albeit in smaller numbers). Economic sanctions seem to have fuelled economic concerns (see also the sections on Social and Economic Issues and Fuel-export Dependent Countries). If sanctions were lifted in the wake of the P5+1 deal with Iran on its nuclear program, this would diminish one source of political turmoil in the country. Since May 2013, Turkey has seen increasingly violent (crack downs on) political protests against the Islamist inspired and increasingly autocratic rule of Prime Minister Erdogan.[32] This is compounded by increasing tension between Erdogan's AK party, the judiciary and the military, and crack downs on media freedoms. And the political landscape in Lebanon remains heavily fragmented and divided along sectarian lines, with some political parties liaised with militant and extremist organizations at home or abroad (see also Section Religious and Ethic Tensions).

Jordan and Morocco are a case in point. Of all autocratic regimes in the region, the monarchies appear the least vulnerable. And although Bahrain experienced large-scale revolts, it is remarkable that the Arab Spring did not topple a single king. This has led some to suggest that these regimes are inherently more stable due to historical high levels of legitimacy, or institutional superiority.[33] But the stability of these regimes rather results from their strategic advantages. Over the years, monarchies have constructed "authoritarian bargains" with their people: by sharing oil and gas profits, they bought popular support. Fuel rents and foreign aid increased the budgets in most monarchies, leaving them with large state funds to buy-off popular dissent and maintain large armies and security forces. For example, Saudi Arabia in 2011 announced a social welfare package of over US$ 130 billion, including public sector job creation, pay rises, and house construction.[34] Similar efforts were taken by Oman and

Bahrain, which led to expanded entitlement programs, new public sector jobs and greater subsidies. Many MENA monarchies further profited from high support levels of foreign forces such as the US and France, but also from Saudi Arabia itself, which has offered military and/or economic aid to Jordan, Bahrain, the UAE, and Oman.[35]

So long as oil prices remain high, Gulf monarchies will be able to maintain their social contract and have the means to diffuse protest (more on this in the section on Fuel-export Dependent Countries). The situation is different in the monarchies of **Jordan** and **Morocco**. The financial leeway of these regimes is smaller, which partly explains why Morocco and Jordan have responded to protests by small-scale political reforms. It also matters that these monarchies are more personalist than their dynastic counterparts in the Gulf.[36] In the latter, the whole royal family shares in the wealth and power of the state, which makes it more likely that any diminishing of power or wealth will meet with resistance. In Bahrain for example, hardline relatives barred King Hamad from meeting protestors' demands to appoint a new cabinet. The room to maneuver makes Morocco and Jordan more susceptible to gradual, more peaceful regime change. Morocco's King Mohammed VI preemptively positioned himself as the leader of political and economic reform, installing a new constitution that increased the power of the parliament and the judiciary and improved women's and Berber's rights.[37] And in Jordan, King Abdullah II allocated US$ 500 million for increasing public wages and fuel subsidies and several amendments leading to incremental political liberalizations.[38]

The poor economic situation and specific ethnic and religious tensions in Jordan make it unlikely that these reforms will have resolved protestor concerns (more in the next section, and the section on Religious and Ethnic Tensions). At the same time, Saudi Arabia is keen on keeping the king in power and maintaining stability on its border, which may well lead the country to send economic and military aid to repress protests, as it did in Bahrain and other MENA states.

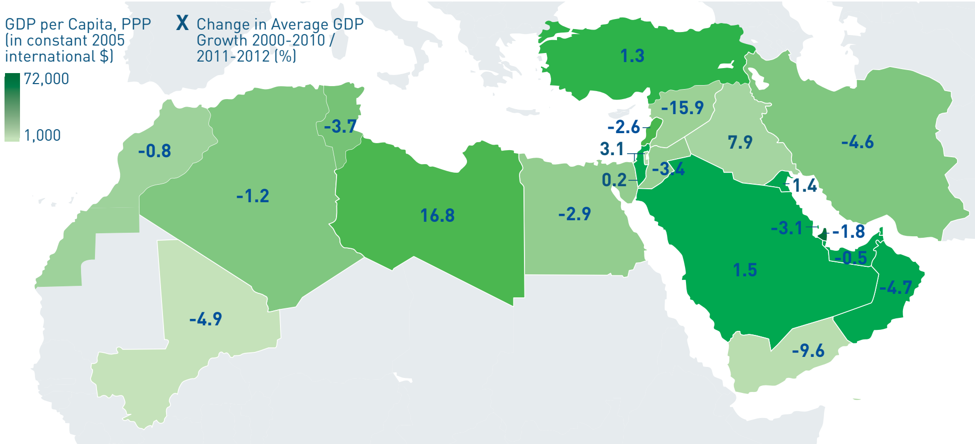
Social and Economic Issues

A second path to conflict follows from social and economic issues, making them vulnerable to protests and terrorist attacks. Such poor social and economic situations range from bad general economic performance, a large unemployed youth cohort, high vulnerability to spikes in food prices, and poor water access.

Economic Performance

Conflict and economic decline are mutually reinforcing. Increasing unemployment and poverty levels lower the opportunity costs for people to protest and rebel, since they literally have less to lose.[39] And governments suffering from poor growth have less cash to spend on subsidies or their security forces to reign in or prevent protests. In turn, a fluid political and security situation erodes business confidence, scares away tourists and Foreign Direct Investment, may damage infrastructure or spark protests and labor strikes like the ones in Egypt and Tunisia in 2011, while increasing fiscal deficits.[40]

Many MENA states risk being caught in this poverty-conflict trap (see Map 1.3). **Mali**, **Yemen**, **Iraq**, **the Palestinian Territories**, **Morocco**, **Syria**, **Egypt** and **Jordan** in particular suffer from very low GDP per capita, rendering them most vulnerable to riots, strikes, and civil unrest fuelled by grudges over poor economic performance.[41] Particularly worrisome is that many of these states have seen their GDP plummet in the wake of the global economic crisis and the Arab Spring. The GDP syphoning effect of conflict becomes clear when comparing growth figures in post-Arab Spring states over 2011-2012 with the previous decade. In all these states, bar Libya (on which more below), economic growth declined.



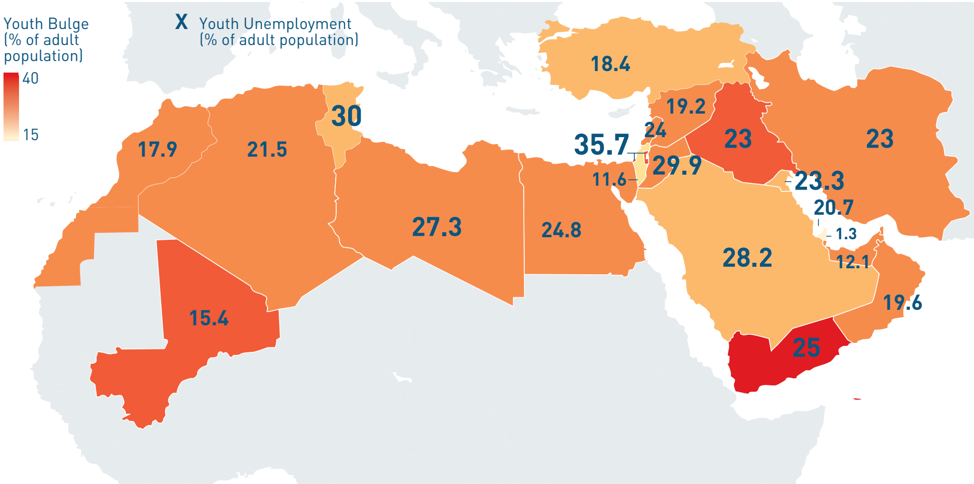
MAP 1.3. ECONOMIC PERFORMANCE IN THE MENA REGION. GDP PER CAPITA FIGURE FOR 2012 (SOURCE: WORLD BANK, 2012). (NOTE: GDP PER CAPITA FIGURE FOR PALESTINE TERRITORIES IS IN US$, CURRENT PRICES).[42]

These regimes often face high expectations about what they can and should achieve economically. And because these expectations often prove difficult to meet, they may fuel resurgent revolts. In Egypt, for example, public discontent over the perceived economic mismanagement of the Morsi government was one of the causes of the military coup in July 2013.[43] And although the Libyan economy quickly rebounded when oil exports picked up after the civil war (reflected in high 2011-2012 GDP growth figures), at least three oil-exporting ports in the East have been under control of rebel groups since mid-2013, leading to a dramatic drop in oil exports that has already cost the government over $7 billion in lost revenue.[44] This is particularly problematic, since a large share of the Libyan government budget goes to payments of former rebel fighters, and is aimed at buying off potential discontent. And just as the 2011 conflict in Libya led to economic problems in neighboring Tunisia, the Syrian civil war bequeaths economic problems in Iraq, Jordan, Lebanon, and Turkey, most notably by streams of refugees, trade route disruptions and increasing food prices.[45] Furthermore, the economic recovery of many MENA states, Tunisia, Morocco and Egypt in particular, might be further stifled by weak external demand from their key European trading partners as a result of the Eurozone crisis.[46]

Conversely, Turkey, Israel and the Gulf monarchies all have a relatively high GDP per capita, high growth figures and little internal conflict, and thus are less susceptible to conflict caused by economic problems. Though, as we will discuss in the next sections, oil and gas export dependencies make Gulf monarchies susceptible to very particular form of economic vulnerability, these states have much better economic credentials and large financial reserves in place that can be used to ward off protests. The latter was illustrated by the ramping up of post-Arab Spring military aid and social and economic welfare programs of Saudi Arabia and Qatar – both in their own country and in the region.[47]

The Poor and the Young

Very large youth cohorts compound the poor economic situation in the MENA region, with 65% of the population in the region being under the age of 25.[48] While large youth bulges (measured as the share of people aged 15-24 over the adult population, defined as those aged 15 or above) can serve as a 'demographic dividend' to boost growing economies, a poor economic situation lowers the bar for youngsters to resort to political violence – from riots to terrorist attacks.[49] Young people tend to be the first in line to suffer the consequences of economic decline. And such disgruntled, unemployed youngsters offer a 'supply of cheap rebel labor', likely to take their frustrations and lack of prospects out on the streets.[50] Unemployment can be a particular problem for youngsters in states with conservative social structures. Social isolation and exclusion in the form of cultural shame or the diminishing of marriage prospects may make single youngsters more likely to put their life in jeopardy.



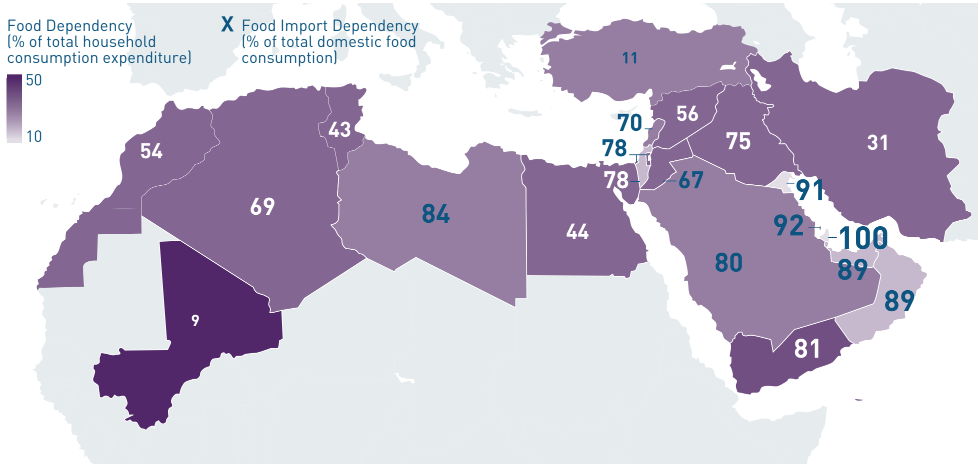
MAP 1.4. DEMOGRAPHIC AND ECONOMIC FACTORS IMPACTING THE MENA REGION. YOUTH BULGE DATA FOR 2010 (SOURCE: UNPD). YOUTH UNEMPLOYMENT DATA FOR 2012 (SOURCE: WORLD BANK).[51]

The combination of high youth unemployment with a large youth bulge is particularly pressing in **the Palestinian Territories**, **Yemen**, **Jordan**, and **Iraq** (see Map 1.4). Evidence suggests that countries with a youth bulge of over 35% (currently in Mali, Yemen and the Palestinian Territories) are more than one-and-a-half times more likely to experience conflict than countries with more median youth bulges of around 15% (in the MENA region only Qatar and Bahrain come close). And statistically, a one percent youth bulge increase is associated with over 4 percent increase in the chance of violent conflict breaking out.[52] Though youth bulges are set to decline in coming years almost invariably across the region, Mali, Yemen, Iraq, the Palestinian Territories and Syria will still have youth bulges of around 30% and higher in 2020. But in Algeria, Iran, Lebanon and especially the UAE and Oman, the sharp drop in youth cohorts is set to reduce conflict potential. Yet it should be noted that there is some evidence to suggest that it was the increase in the 'not-so-young bulge' (share of people aged 25-39 of the adult population) over past decades that has fuelled protests. So it is possible that in these countries, 'former youth bulges' increase vulnerability to conflict.[53]

In Gulf states like Bahrain, Kuwait, Oman and Saudi Arabia, youth bulges and high youth unemployment is less of an issue. These countries have the financial means to buy-off potential discontent, and youth unemployment figures are especially high because expats make up from 50% (Saudi Arabia) to over 90% (UAE) of the labor force. Expelling these foreign workers would automatically lower these unemployment levels, although this would create economic problems of its own.

Food Dependency

One important cause of riots and other forms of political violence is outrage over rising food prices. Poor people with little left to lose are more likely to take their anger over governments failing to fulfill their most basic needs to the streets.[54] Vulnerability to food price fluctuations is widespread throughout the region, and is highly correlated with general economic performance. In **Mali** and **Yemen**, the two poorest states in the region, food dependency scores are highest, with 44 and 52% of all household income spent on food (see Map 1.5). Yemen is even more vulnerable because it imports over 80% of all food destined for domestic food consumption. When food prices on the global market increase, the poorest in Yemen will feel the burden. Other poorer states like **Syria**, **Egypt**, **Iraq**, the **Palestinian Territories**, **Tunisia**, and **Morocco** all have food dependency scores of over 35%. And because many of these states (particularly Iraq and the Palestinian Territories) are dry and ill suited for agriculture, most food has to be imported.[55]



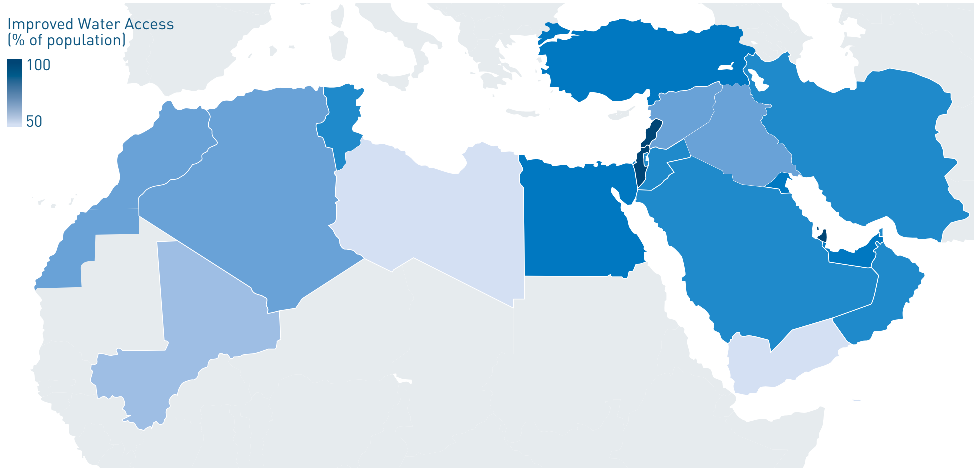
MAP 1.5. FOOD DEPENDENCY (2011) AND FOOD IMPORT DEPENDENCY (2012) IN THE MENA REGION. (SOURCES: FAO-STAT, ILO, USDA, ND-GAIN).[56]

To be sure: government policies, such as subsidies, matter. Protests frequently erupt where governments are no longer willing or able to provide enough subsidies to cushion price shocks.[57] In Egypt for example, people went out on the streets to protest government inaction in the face of a 30% food price rise over 2010.[58] In contrast, although Moroccans spend an average of 37% of their income on food, government intervention kept consumer price increases below 3%, eliminating one reason to protest.[59] Yemen stands out as the most susceptible to food riots, due to extremely high food dependency ratios, the poor fiscal position, and high dependency on food imports. Rich countries such as Israel and the Gulf monarchies also face large import dependencies. But since the population in these states generally spends a smaller share of its income on food, and the state has more resources to cushion price shocks, this is less of a security problem.

Food dependency is set to remain a potent source of conflict in the countries mentioned, because of their bad economic foresight. Poor GDP growth increases poverty, and thus food dependency ratios, while diminishing state capacity to soften the effects of price spikes. And in the long run, climate change, overgrazing and inefficient agriculture will increase water scarcity, land degradation and desertification in the region, thus further aggravating the risks of food shortages.[60] In Egypt alone, climate change is expected to lead to a reduction in domestic agricultural productivity of roughly 20 percent by 2030.[61] With a growing global demand, climate change could double major crop prices on the global market within the next few decades.[62] More extreme weather conditions in producer countries are likely to exacerbate food supply issues and price volatility, thus rendering these states more vulnerable to food riots and other forms of political violence.

Water Access

Large swathes of the MENA region remain parched. Again, geographical water scarcity need not be a security problem for richer states such as Qatar, Saudi-Arabia and Kuwait, which possess the economic means, industrial capabilities and the expensive infrastructure to redress it. Saudi Arabia and the UAE each spend over US$ 3 billion a year on water desalination treatment.[63] However, in states like **Yemen**, **Mali** and **Libya**, only a small part of the population (55, 65 and 55% respectively) has access to healthy water (see Map 1.6). Rural populations in Yemen are already struggling to reach water wells, and it has been predicted that its capital of Sana´a will run out of groundwater by 2017.[64] Such poor living conditions are indicative of government mismanagement and provide a source of grievance with low opportunity costs, which increases conflict potential.[65] Limited water access also catalyzes other factors conducive to conflict, such as migration flows, food dependency and infant mortality.[66]



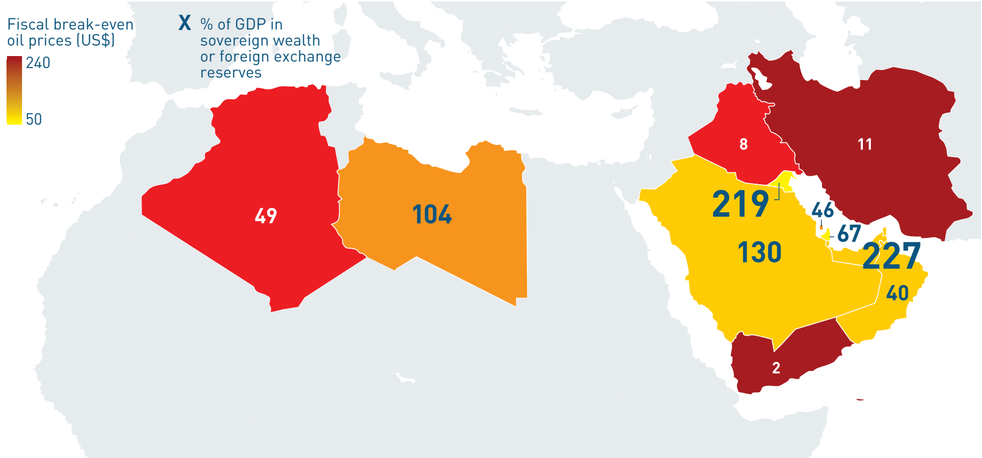
MAP 1.6. WATER ACCESS IN THE MENA REGION, 2012 (SOURCE: WORLD BANK).[67]

Other states with water access issues are **Morocco** (82%), **Algeria** (84%), **Iraq** (85%) and **the Palestinian Territories** (92%). It should be noted that conflict over water issues are often about much more than access to improved water. For example in Jordan, which has relatively high improved water access score of over 96%, increasing droughts are set to fuel existing divisions between native Jordanians and Palestinians (see the section on Religious and Ethnic Tensions). Such climatological changes put pressure on water and agricultural production, which are at the heart of the Jordanian system of political patronage, as well as many employment programs for the Jordanian Bedouins.[68]

Fuel-export Dependent Countries

Many MENA economies are energy-rich. They produce roughly 37% of the world's oil, and 18% of its gas. Moreover, 60% of the world's proven oil reserves and 45% of natural gas reserves are located in the region.[69] Though oil exports are a great source of wealth, they can also make states vulnerable to oil price fluctuations. Price drops can lead to a loss of export revenues, destabilize the economy and raise the risk of conflict, as people start protesting against poor economic performance of the state. And the personal costs of taking up arms against the state are much slimmer when you are jobless.[70] One of the best measures for vulnerability to drops in oil price is the fiscal break-even price: the oil price a state needs to sustain its expenses. The higher the fiscal break-even price, the higher the risk of economic and security problems when the price per barrel of oil drops. This will be all the more pressing when governments have lower financial reserves, such as sovereign wealth funds or foreign reserves, to plug potential deficits.

Looking at fiscal break-even prices and financial buffers (measured in percentage of GDP in sovereign wealth funds and foreign reserves), **Yemen** appears as the most vulnerable to a drop in oil prices (see Map 1.7). With an exorbitantly high break-even oil price of US$ 237 per barrel, current oil prices are widely insufficient to sustain its expenses. In addition, Yemen has almost no financial buffers to weather oil price fluctuations.[71] This high dependency is especially dangerous in light of prior attacks by militants on the Yemeni oil industry. In 2011, a militant attack caused a fuel crisis which lasted several months, and sparked violence in the streets.[72]



MAP 1.7 VULNERABILITY OF OIL AND GAS EXPORTING MENA COUNTRIES TO OIL SHOCKS, SHOWING FISCAL BREAK-EVEN OIL PRICES (RED=EXTREME, YELLOW=LOW) AND FINANCIAL POWER (% OF GDP IN SOVEREIGN WEALTH FUNDS AND FOREIGN EXCHANGE RESERVES), 2013. COUNTRIES COLOURED RED AND WITH A LOW PERCENTAGE SCORE ARE MOST VULNERABLE (SOURCES: IMF, SOVEREIGN WEALTH FUND INSTITUTE, CIA WORLD FACTBOOK, WORLD BANK).[73]

Like Yemen, **Iran** (US$ 127) and **Iraq** (US$ 106) have a high fiscal break-even price, and little financial means to buy off unrest. Iran's economy has been hard hit in recent years by a combination of sidelined oil exports due to sanctions, high inflation (35% in January 2014) and a weakening national currency.[74] The Iranian population is struggling to maintain the middle-class lifestyles they were used to. The November 2013 deal reached between Iran and the P5+1 group on Iran's nuclear program is likely to provide some relief, as some US$ 4.2 billion in blocked funds will come available. Nevertheless, the most hard-hitting sanctions against Iran's oil exports will remain in place, meaning Teheran will remain highly vulnerable to fiscal difficulties and may experience civil unrest.[75]

Algeria (US$ 114) has larger but shrinking state coffers. The country, which is a key-supplier of natural gas to the EU, has so far managed to escape the revolts of the Arab Spring, mainly by redistributing some of the nation's wealth. However, this cannot be sustained indefinitely. If left unaddressed, the social, economic, and political grievances smoldering in Algerian society could lead to popular revolts that threaten the regime's survival.[76]

Libya (US$ 117) has greater financial buffers. Yet, like in Yemen, the unstable political and security situation exacerbates vulnerability, illustrated by the current sharp drop in oil exports due to rebels taking hold of several key ports. And similarly, **Bahrain's** (US$ 119) state coffers are shrinking, while it continues to face domestic protests.

Countries which are less vulnerable because of significant financial reserves and lower fiscal break-even prices are Kuwait (US$ 52), Qatar (US$ 55), the UAE (US$ 74), Saudi Arabia (US$ 84) and Oman (US$ 93). As the Arab Spring swept the region, Saudi Arabia managed to remain largely unaffected. It is however no coincidence that in late 2011, Riyadh approved a lavish stimulus package aimed at meeting social needs, education and health, and upgrading infrastructure, including housing. Moreover, the government paid out a two-month salary bonus to government employees, costing 35bn-40bn Saudi Riyal (approx. 9bn-11bn US$), while also raising the minimum public-sector wage and hiring an extra 60,000 staff for the interior ministry.[77]

Unconventional Energy

The surge in unconventional natural gas and oil production (notably in the US) is likely to leave its mark on the MENA region as well. As global demand for natural gas is projected to increase, shale gas can change the mix between natural gas and other fuels. In the short term this already takes place in North America, but in the medium (2020 till 2030) to long term, this will have effects globally. A shift in the global energy mix, in so far that it displaces oil, puts oil prices under pressure. And as a result, carries risks for countries with high oil rents.

Countries particularly vulnerable are those of the more instability prone anocratic regime-type, which also suffer from high youth unemployment *and* possess limited financial reserves. Algeria, Iran, Iraq, and Yemen score poorly on these variables and as such are particularly at risk of instability if oil prices were to decline due to shifts in the energy mix.

Furthermore, unconventional energy aside, the global drive towards greater sustainability and efficiency will in the long term also exert pressure on oil prices. Possibly even greater than is felt by unconventionals. Faced with expanding populations and an explosive domestic energy demand, the MENA region is likely to see oil export earnings to come under significant pressure.

Furthermore, compared to anocracies such as Yemen, Iraq and Algeria, the ruling elites in the true autocracies in the Gulf are more likely to crack down on emerging discontent out of fears that it may destabilize the regime. Alternatively, they may choose to directly interfere in nearby countries affected by civil unrest in order to quell any potential spillover.[78] A good example was the March 2011 decision by the Gulf Cooperation Council to send a contingent of armed forces of Saudi Arabia and the UAE into Bahrain to aid the government in Manama to suppress the growing internal unrest.[79] This observation again singles out Yemen, Iraq, Iran and Algeria as more vulnerable to internal unrest as a result of a decrease in the price of oil.

State response options to deal with sudden price drops are even further curtailed by economic imbalances. High levels of food and energy subsidies, for example, make cutting existing expenditure to deal with lower oil prices problematic. In 2011, food subsidies took up on average 0.7% of GDP for the entire region, and energy subsidies exceeded 5% of GDP for almost all oil exporting countries. Iran, Iraq, Algeria, Egypt, Yemen, Saudi Arabia and Libya have fuel subsidies that are either close to, or well in excess of 10% of their GDP.[80] And as noted, many governments have increased their social and military spending to limit protest potential. If states decide to cut these subsidies, the population will be faced by steep food and fuel price increases, which people had been artificially shielded from in the past. There is ample evidence that such price shocks are a powerful source of conflict. When in 2012 the Jordanian king Abdullah II proposed to end gas and basic commodity subsidies to face a gaping fiscal deficit, widespread protests erupted.[81] And the Sudanese government's 2013 decision to halt fuel subsidies in light of ongoing economic difficulties resulted in riots, killings and injuring dozens of civilians in what was seen as the worst unrest in years.[82]

Religious and Ethnic Tensions

The MENA region is a chessboard of ethnic and religious groups. Many states are home to multiple creeds of Islam and a plethora of tribes and ethnic groups. From the Lebanese civil war that waged from 1975 to 1990, to the long-standing Israel-Palestine conflict, animosity between these groups is at the heart of many current and past conflicts. Some of the most entrenched and extreme conflicts concern stateless nations striving for self-government, such as the Kurdish struggle for autonomy in Turkey, Syria, Iran and Iraq. Other conflicts are about ethnic or religious groups vying over control of the state, as in Iraq, where the new ruling Shi'a government consolidated power along religious lines, causing grievances with the Sunni minority. And finally, other, smaller scale conflicts are fuelled by extremism and/or government repression, as in Saudi Arabia, where Wahhabi (Sunni) rulers suppress the Shi'a minority. Below we look at the vulnerability of MENA states towards these types of ethnic and religious conflict in turn (an overview is provided in Table 1.1).

STATE	STRUGGLE FOR SELF-GOVERNMENT	INTENSITY	STRUGGLE FOR STATE CONTROL	INTENSITY	EXTREMIST VIOLENCE	INTENSITY	STATE REPRESSION OF MINORITIES	INTENSITY
Syria	Kurds	5	Alawite minority gov't vs. Sunni rebels	5				
			Sunni Extremists (ISIL) vs. Sunni moderates	3				
Iraq	Kurds	1	Shi'a gov't vs. Sunni minority	3	ISIL	5		
Yemen	Southern Insurgents	3			Houthi's	3		
					AQAP	5		
Israel-Palestinian Territories	Palestinian groups (PNA, Hamas)	3						
Mali	Tuareg rebels	3			AQIM	5		
Turkey	Kurds (PKK)	4						
Libya	Federalist Forces (Cyrenaica)	2	Tribes and warlords	4				
Egypt			Military vs. Muslim Brotherhood	5	Sinai Islamists	4	Copts	3
Algeria	Berbers	2			AQIM (temporarily joined forces with the Tuareg rebels in 2011/12)	4		
Iran	Kurds (PJAK)	3			Jundallah and other Sunni groups	3		
Morocco	Polisario (Western Sahara)	3			AQIM	2		
Bahrain			Minority Sunni gov't vs. Shi'a majority	3				
Lebanon			Christians vs. Sunni's vs. Shi'a (Hezbollah)	3				
Jordan			East-Bankers vs. Palestinians	2				
Saudi Arabia					Houthi's	1	Shi'a minority	4
					AQAP	2		
Tunisia					AQIM	4		
Kuwait							Bedouins	3

TABLE 1.1: OVERVIEW OF TYPES OF CONFLICTS ROOTED IN RELIGIOUS OR ETHNIC TENSIONS WITH THEIR 2013 LEVEL OF INTENSITY (SOURCE: HIIK CONFLICT BAROMETER 2013).[83]

Violent Struggle for Self-Government

Often longstanding struggles for self-government play in **Turkey**, **Syria**, **Iraq**, **Iran** (Kurdish groups), **Israel** and **the Palestinian Territories** (Palestinians), **Yemen** (Southern Insurgents), **Mali** (Tuareg rebels), **Morocco/the Western Sahara** (Polisario movement), **Libya** (Federalist Forces), and **Algeria** (Berbers) (see Table 1.1.). These conflicts are often fueled by governments discriminating against other nationalities within their borders, or remaining unresponsive to their demands for self-government.[84] And the more violent and historically entrenched the conflict, the more likely it is that they will continue in the future.

Other factors that may trigger or heighten the risk for struggles for self-government, are periods of political change, extremely violent conflicts, and large and concentrated ethnic and religious groups. New governments trying to consolidate power along ethnic or religious lines may fuel grievances between groups.[85] Civil wars are often caught in what has been labelled a "conflict trap", with unaddressed grievances exacerbating ethnic divisions, with an unstable compromise that has been agreed upon or human costs created a psychological barrier that makes a peace agreement less likely.[86] And large groups living in geographically concentrated areas will find it easier to recruit rebels.[87]

The Israeli-Palestinian conflict in particular, with around 6 million Israeli Jews and 11 million Palestinians spread out over the Palestinian Territories and the rest of the region, has deep historic roots and a long history of violence.[88] The struggle for an independent Kurdistan, a state for the 30 million Kurds currently spread over Iraq, Iran, Turkey and Syria, is also likely to bequeath future conflict. The Kurds are one of the largest nations without a state, making up around 20% of the Turkish and Iraqi populations, respectively. Although a bilateral peace-process with Turkey was initiated at the eve of 2012, violence is likely to return if the hopes of Kurdish minority are unmet.[89] Meanwhile, the battle-tested Kurdish fighters could join those striving for Kurdish autonomy in Syria or Iran.[90] And although the Kurds have more autonomy in neighboring Iraq, a recent Kurdish-Turkish deal over oil exports is already increasing tensions with the central Iraqi government.

In Mali, the Tuareg, a tribal people of over 1 million living mostly in parts of Mali, Algeria and Mauritania, have been striving for self-government for over a century. After a coalition with al-Qaeda extremists in 2010, they managed for a brief period of time to control large parts of Northern Mali.[91] Taking into account the bad economic situation and political turmoil, it is unlikely that their plea for independence will die down. And in Yemen, the secessionist movement in the South is rooted in the fact that it was a separate country until the 1990s. After the civil war with the North in 1994, the South became a definite part of modern day Yemen, but attacks by rebels from the South to enforce secession have since not abated. The poor economic prospects of the country, with its large youth bulge, high unemployment, and low GDP per capita, furthermore lower the bar for rebel recruitment. And the ongoing political turmoil also increases the chance of conflict.

In the Western Sahara, the Polisario movement has demanded a referendum over independence of the region since the UN brokered a ceasefire in 1991.[92] The group represents the Sahrawi people and has been striving in a violent guerilla warfare against the Moroccan government for a separate state since 1975, receiving aid and support from Algeria.[93] Though the conflict has de-escalated in recent years, smuggling has increased, with the Polisario movement selling aid supplies, transporting African migrants northwards toward Europe, and trafficking weapons and jihadists southwards.[94] And finally, smaller scale conflicts are ongoing between the Berber population and the Algerian government, and the Libyan state and the Federalist forces of Cyrenaica in the East of the country.

Struggle for State Control

Syria, **Iraq**, **Libya**, **Jordan**, **Lebanon**, **Bahrain** and **Egypt** are vulnerable to conflict over state control by specific ethnic or religious factions. In all these countries, two or more large ethnic or religious groups are fighting over state control.

Vulnerability is especially high in countries where the group vying for power is relatively large.[96] Many of the apparent and slumbering conflicts in the region relate to Sunni-Shi'a tensions. In extreme cases, a religious minority is ruling over a religious majority, as in Syria, with a ruling class of predominantly Alawites, who are closely related to Shi'a Islam, make up 12% of the population and are "ruling" over more than 70% Sunni (see Figure 1.4). And in Bahrain, a Sunni minority of about 20% is governing a country with over 60% Shi'a. In these cases, the pool for rebel recruitment is particularly large, and the numerical balance lies in favor of the group contesting the government. As a response, governments often frame political protests as ethnic or religious extremism. The Bahraini government, for example, has dubiously described protests as an Iranian sponsored attempt of Shi'a groups to oust the monarch.[97] It should however be noted that Sunnis and Shi'ites do not automatically form cohesive, likeminded and opposed groups, as the split between extremist (ISIL – Islamic State Iraq and the Levant) and more moderate rebels in Syria illustrates.

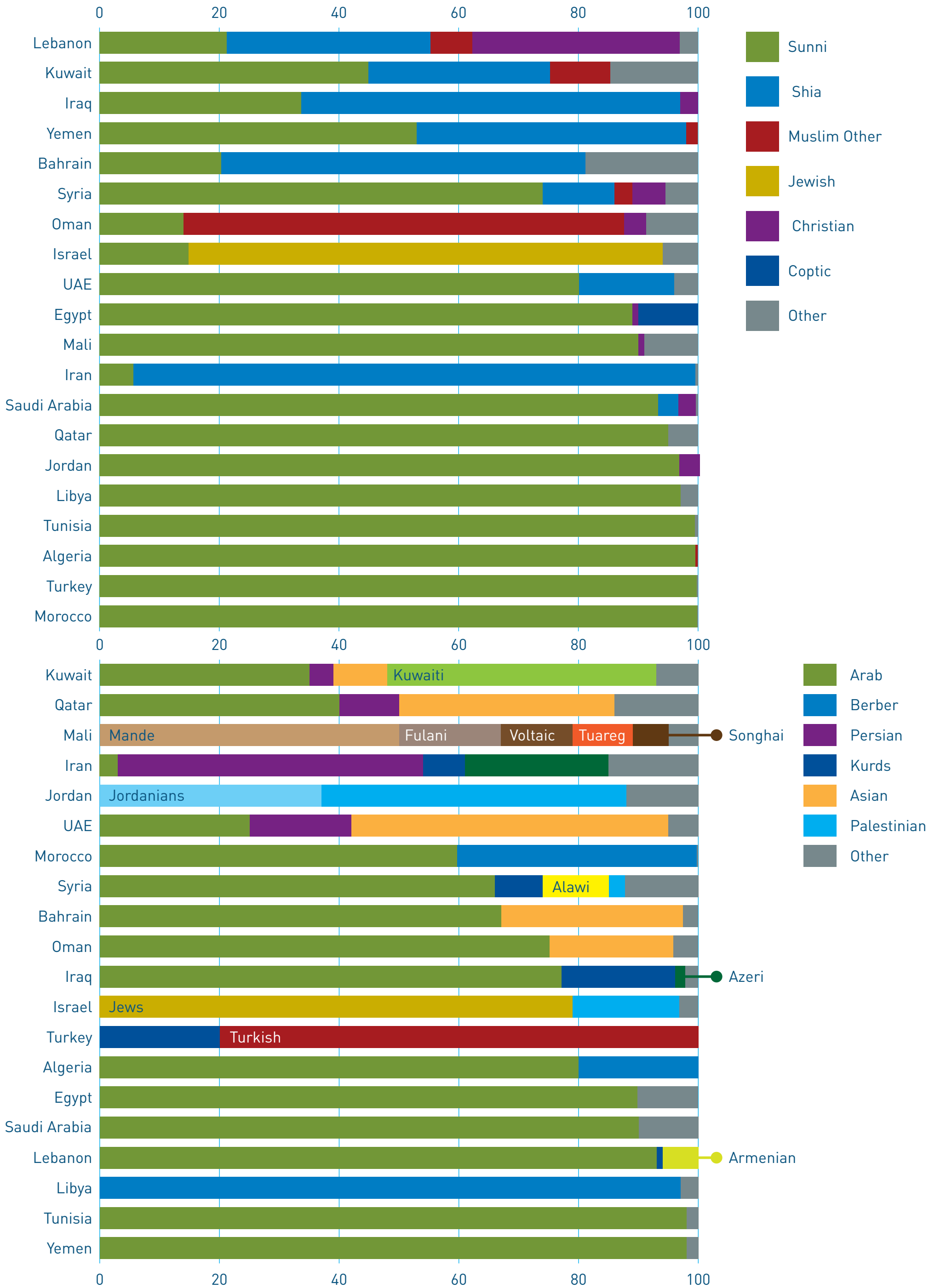


FIGURE 1.4: RELIGIOUS (TOP) AND ETHNIC (BOTTOM) FRACTIONALIZATION ACROSS THE MENA REGION, 2011 (SOURCES: ALESINA ET AL. [2003]; UNIVERSITY OF GOTHENBURG).[95]

In Iraq, the government is predominantly recruited from Shi'a ranks that make up 60% of the population. Here too the government is sowing seeds for future conflict by enacting anti-Sunni policies, a group which accounts for roughly 30% of the population. States where discrimination is less pervasive, such as in Kuwait, which has a Shi'a minority of around 30% compared to more than 60% Sunni's, are much less conflict prone. It is telling that the decision to assist the GCC intervention in Bahrain to squash the predominantly Shi'a protestors in 2011 ultimately led to the government's resignation in order to diffuse sectarian tensions.

Lebanon remains highly vulnerable to conflict between Christian, Sunni and Shi'a groups. Though it is a democracy, and political access is more equal than in many MENA countries, the remnants of the violent civil war that raged from 1975 to 1990 still loom underneath the surface. Tensions are palpable, as the 2013 car bombs in the streets of Beirut testify. Private armies that used to fight each other during the war are still active. The situation is further exacerbated by the prevalent power of Hezbollah, its conflict with Israel and its fight alongside the Assad regime in the Syrian civil war. At the same time, Lebanese Sunni groups support the rebels. And the conflict in neighboring Syria has also led to a large stream of refugees into the country. This illustrates that conflict in a neighboring country significantly increases a state's likelihood of experiencing conflict itself.[98]

Palestinian and Syrian refugees are also adding to existing ethnic tensions in Jordan. East Bankers, which account for less than 40% of the population, have historically had privileged access to government jobs, which often exclude Palestinians (around 50% of the population).[99] The long lasting discrimination that flared up in the Arab Spring protests were subdued by piecemeal political reforms by King Abdullah II. And in Libya, various tribes are jumping in the power vacuum, competing for power, while religious extremists and warlords fight over parts of the country.[100] Finally, the military coup against the Morsi-led Muslim Brotherhood government in Egypt and the subsequent banning of the party from politics rekindles a secular/religious divide that is reminiscent of pre-Arab Spring dictators in the region.

Extremism

Northern African states and **Iraq**, **Yemen**, and **Saudi Arabia** are all susceptible to extremist violence emerging from smaller groups that try to impose an ideology or different state system.[101] Such violence often flares up in conflict-ridden countries, where state control of territories is poor. Looking at current conflict intensity, Iraq, Yemen, Mali, Algeria and Tunisia are particularly susceptible. Iraq remains highly vulnerable to terrorist attacks, with a resurgent al-Qaeda faction boosted by the fighting in Syria as part of ISIL.[102] Activities of al-Qaeda in the Islamic Maghreb (AQIM) have increased in recent years, especially in Algeria, culminating in the Amenas hostage crisis in early 2013.[103] And al-Qaeda in the Arabian Peninsula (AQAP) has its base and the bulk of its activities in Yemen, making it likely that the country will experience extremist attacks in coming years. The country is also struggling with al-Houthi extremists, with their motto "Allah is great, death to America, death to Israel, damnation to the Jews, the victory to Allah". The Houthi tribe is cementing its hold on territories in the North and conducting terrorist attacks in both Yemen and Saudi Arabia. Egypt is facing a long-standing struggle with terrorist groups in the Sinai desert. And although Tunisia also has some extremist groups within its border, most notably Ansar al-Sharia, the small size of the group renders the country less vulnerable to terrorist attacks.

State Repression of Minorities

In **Kuwait**, **Saudi Arabia** and **Egypt**, governments are involved in the systematic repression of minorities. State repression can both be the origin of and response to extremist violence.[104] In Kuwait, the government refuses to grant citizenship to stateless Arabs in order to justify expulsion and ongoing discrimination.[105] The Copts have been subject to discrimination in Egypt, which has increased the ongoing political turmoil, while decreasing security guarantees.[106] And Saudi Arabia has repeatedly discriminated against the Shi'a minority, which it frames as dangerous extremists. These conflicts are generally more small-scale, because of the large power asymmetry between governments and repressed groups.

The Paths to Conflict

The main vulnerability scores of MENA countries for the four paths of conflict are summarized in Table 1.2.

COUNTRIES	SFI SCORE	POLITICAL TURMOIL	ECONOMIC AND SOCIAL ISSUES	FUEL EXPORT DEPENDENCY	RELIGIOUS AND ETHNIC TENSIONS
Iraq	20				
Yemen	17				
Libya	15				
Syria	11				
Pal. Territories	N/A				
Mali	19				
Algeria	15				
Egypt	11				
Iran	12				
Bahrain	9				
Jordan	7				
Tunisia	5				
Morocco	7				
Israel	8				
Saudi Arabia	9				
Lebanon	5				
Turkey	7				
Oman	5				
Kuwait	4				
Qatar	4				
UAE	3				

TABLE 1.2: MENA COUNTRIES CATEGORIZED ON TYPE OF VULNERABILITY (DARK RED = HIGH; MEDIUM RED = MEDIUM; LIGHT RED = LOW).[107]

The most vulnerable countries are Iraq, Yemen, Libya, Syria, the Palestinian Territories and Mali. These states are highly vulnerable to conflict erupting due to unstable political institutions, high levels of poverty and social concerns, and wide spread religious and ethnic tensions. The first three could also see conflict arise if oil prices drop. All six countries experience high levels of current conflict, which underlines that conflict begets conflict.

Our analysis also points towards the vulnerability of some less-than-usual suspects, such as Algeria, Jordan and Bahrain. Algeria is particularly fragile, with high vulnerability to declining oil prices, simmering religious tensions, poor economic performance and an unstable political situation. Jordan is fraught with tension between the ruling monarch and different ethnic groups, and poor economic prospects. Bahrain has Shi'a dissent brewing under the surface, and relatively high vulnerability to oil shocks.

Tunisia's transition towards democracy looks most promising, although here again economic issues are a continuing concern. Democratization in Egypt is more fragile, with the country facing pressing economic issues and religious tensions. Iran is highly vulnerable to oil price shocks, and has experienced troubling economic decline, in part due to sanctions. Vulnerability in Morocco is mostly a concern of economic and social issues, with high levels of food dependency and stagnating growth.

Countries with lower vulnerability are Israel, Lebanon, Turkey and the remaining Gulf countries (Saudi Arabia, Oman, Kuwait, Qatar, and the UAE). To be sure, these countries are susceptible to particular paths of conflict, predominantly related to ethnic and religious tensions (especially in Israel and Lebanon) and oil price shocks (in the Gulf monarchies).

1.5 Impact on Europe

For the foreseeable future, the Southern and South-Eastern borders of Europe look set to remain ridden in conflict. This is particularly worrisome for European states, since instability in the region will likely affect their economic and security interests. This section looks at the potential impact conflicts may have on these European interests.

Security Impact

Security interests of European states may be negatively impacted by refugee flows; increasing organized crime; rising piracy concerns; terrorist attacks on European targets; and outright military confrontation.

Refugee Flows to Europe

Conflict may spark refugee flows that affect Europe. Ethnic and religious strife in particular tend to spur large-scale refugee streams, both internally and across borders.[108] Although refugee flows are foremost a regional concern, people fleeing from violent conflicts also end up in Europe. And asylum applications in Europe from MENA countries are strongly correlated with conflict (see Figure 1.5). After the Arab Spring, refugee streams have increased: in 2012, EU states saw around 72,000 asylum seekers from the MENA region, up from around 45,000 in 2010.[109] Over 2011 and 2012, on average 130 MENA refugees applied for asylum per one million EU inhabitants.

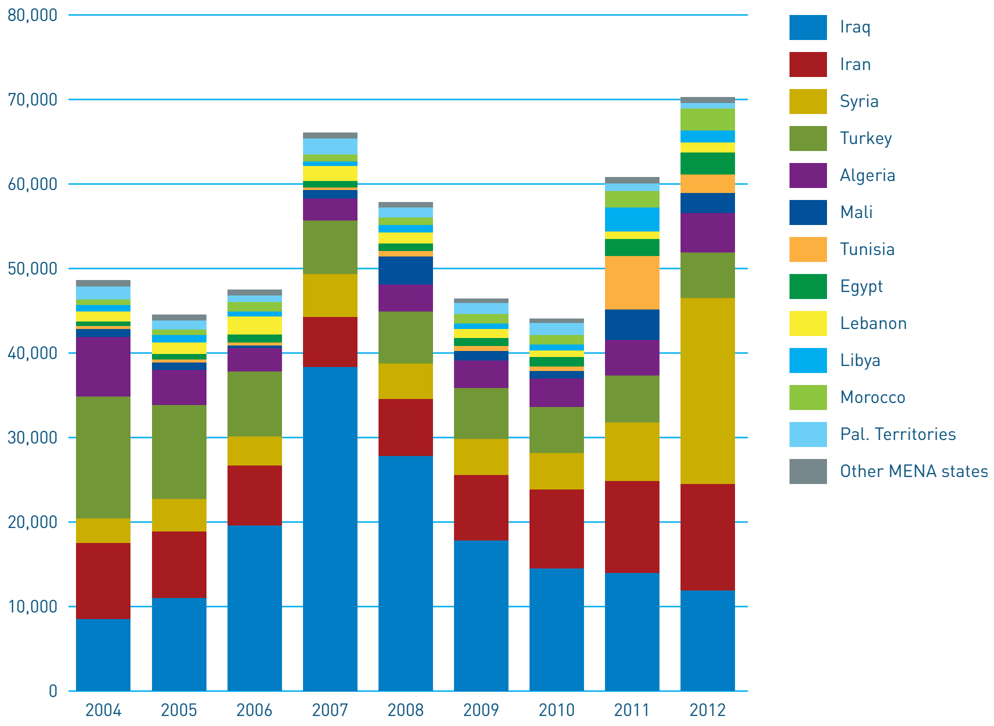


FIGURE 1.5: ASYLUM APPLICATIONS FROM MENA STATE NATIONALS IN EU-28 COUNTRIES (SOURCE: UNHCR).[110]

The burden of these refugees is highest for Malta and Cyprus, who saw 623 and 859 asylum applicants per million inhabitants in the same period.[111] And although the relative number of refugees applying in Italy and Greece is not higher than in many Western EU-states, the large economic difficulties in these countries mean that there are fewer incentives and resources to accommodate refugees.[112] Furthermore, the impact of refugee streams in states bordering the Mediterranean is much more visible and leads to larger humanitarian concerns. The UNHCR raised the alarm after over 15.000 refugees arrived on the Italian island of Lampedusa in the first three months of 2011.[113] In addition, more than 400 people died in October 2013, after a boat sank south of the Island.[114]

There is no evidence to suggest that migrants are more criminal or radical than local populations.[115] However, the influx of refugees may lead to friction with local populations and thereby challenge social cohesion, especially since many refugees from the MENA region are Muslims coming to predominantly Christian countries with increasingly popular right-wing parties.[116] For example, in Germany, right-wing motivated attacks on asylum homes doubled in 2013.[117]

Organized crime

The refugee problems on Lampedusa indicate that human trafficking tends to increase when conflicts erupt.[118] Because not all can freely enter Europe or expect to be granted asylum, refugees may turn to human traffickers, and thereby put themselves at risk of exploitation. Other forms of organized crime, such as weapons smuggling and drug trafficking are predominantly a regional concern.[119] Due to increased instability in Libya, for example, new trade routes are opening up and allowing for the spread of drugs and weapons.[120]

One form of criminal activity that may increase following conflict, and which poses security risks to European states, is piracy. The risk is particularly high in countries where the central authorities lack control over their territory bordering important waterways, as is already the case in piracy hotbeds Yemen and Somalia. An escalation of the conflict in Libya could spark piracy concerns in waterways bordering the country. Egypt is also at risk, albeit to a smaller extent. Bedouins, Palestinians and terrorist groups based in the Sinai Peninsula might attack ships passing the Suez Canal. Though the Egyptian state has a more effective army capable of halting such attacks, this is no far-fetched scenario: in 2009, 26 people were arrested for plotting attacks on ships and pipelines passing through the Suez Canal.[121]

Foreign Fighters Coming Home

Conflict in the MENA region may attract religiously inspired foreign fighters from Europe. When these fighters return, they can pose significant national security risks. Battle-tested foreign fighters are more likely and effective in plotting attacks due to the training, knowledge, contacts and combat experience they received abroad – also called the "veteran effect".[122] Yet because these fighters often do not return to their home country, as a *group* they do not necessarily pose a greater risk to national security than jihadists not leaving the country.[123] Although the threat is difficult to assess, the risks are real. When the young Algerian-Frenchman and Salfist Mohammed Merah received Al-Qaeda training in Afghanistan and Pakistan and returned to France in March 2012, he killed seven people in an anti-Semitist attack.[124]

The foreign fighter phenomenon is not new. In the past, Europeans have joined militant campaigns abroad, including several hundred Muslims fighting in the Bosnian civil war, or Salafists picking up arms in Afghanistan and Iraq following the US invasion. But the number of young Muslims now joining predominantly al-Qaeda affiliated groups like Jabhat al-Nusra and the Islamic State of Iraq and the Levant (ISIL) in the Syrian civil war is unprecedented.[125] The conflict has drawn in somewhere between

396 and 1930 European foreign fighters, among which 29-152 from the Netherlands (see Figure 1.6). Illustrative of the risks involved was a recent report of European recruits in Syria that were trained in bomb-making in order to wreak havoc back home.[126]

STATE	NUMBER OF FOREIGN FIGHTERS	PER MILLION
France	63-412	6
United Kingdom	43-366	6
Belgium	76-296	27
Germany	34-240	3
Netherlands	29-152	9
Spain	34-95	2
Sweden	39-87	9
Denmark	25-84	15
Austria	1-60	7
Italy	2-50	1
Ireland	11-26	6
Finland	4-20	4
Luxembourg	1	1
Total	**396-1930**	**7**

FIGURE 1.6: EUROPEAN FOREIGN FIGHTERS IN SYRIA, DECEMBER 2013 (SOURCE: ICSR).[127]

The extreme and rising attraction of the Syrian conflict to European jihadists can partly be explained by the accessibility of the conflict.[128] Jihadists may prefer Syria over Mali, for example, because a ticket to Timbuktu is more expensive than a ticket to Turkey, from where it is a bus ride to the border with Syria.[129] And finding a military group of choice is relatively easy.[130] Rebels also control significant amounts of the territory that provides low in-theatre risks and attracts both risk-seeking and risk-averse fighters.[131] And because of the large Muslim civilian casualties, foreign fighters may regard their activities as a militarized form of humanitarian assistance.[132] Finally, because the conflict is frequently portrayed as a sectarian struggle between Sunni and Shi’a (Alawite) groups, this may draw in jihadist fighters adamant on settling the score with sectarian enemies.[133]

Apart from Syria, Iraq, Lebanon and Yemen are also prone to religious conflicts that may attract foreign fighters from Europe. These states all have a high risk of sectarian conflict, with large radical Muslim groups within their borders. For example, if the Syrian conflict spills over to Lebanon, inciting conflict between Sunni and Shi'a groups, this may prove an additional boon for foreign European fighters. Northern African States also have Muslim terrorist groups within their borders, but since the size, battles, and media-exposure of these groups is smaller, the risk of foreign fighters joining these conflicts is lower.

Terrorist Attacks on European Targets

Instability in parts of the MENA creates safe havens for terrorist organizations that may attack European targets. These groups will find it easier to attack western targets in the region than in Europe – from kidnapping people to attacking oil platforms or embassies.[134] The deadly attack on the US consulate in Benghazi in September 2012 illustrates that the risk is particular high in states lacking effective central authority. This marks European interests in Libya, Mali, Syria, Iraq, and Mali as particularly vulnerable. All these states have large al-Qaeda affiliated terrorist groups within their borders. Within the larger Sahel area, AQIM has kidnapped numerous Europeans, among them Dutch, Swedish, British and German tourists, who where kidnapped in Timbuktu at the end of November 2011, and whose whereabouts remain unclear.[135]

If the situation in post Arab-Spring Tunisia and Egypt deteriorates, terrorist groups in these countries may also find it easier to conduct similar activities. The strength of these groups may increase due to foreign fighters from the MENA region joining the battle in Syria. Just as with European foreign fighters, these veteran jihadists may pose increasing security risks once they return to their home country.

Military Confrontation

Conflicts may escalate horizontally and lead to interstate conflict between European and MENA states. Such a scenario seems unlikely, however, since only one European country directly borders a MENA state – i.e. Greece neighboring relatively stable Turkey. The Mediterranean Sea, along with European military supremacy, function as geographic and military buffers, respectively. Yet European states could be drawn into conflicts via militarily interventions, as was the case in Libya. Such a 'suck-in effect' is becoming more likely considering the American rebalancing to Asia, and increasing terrorist threats and humanitarian concerns in the region.

Economic Impact

Economically, Europe may feel the brunt of conflict in the MENA region in the form of interruptions in direct oil and gas supplies, or price spikes on the global oil market. To a lesser extent, disruptions in (non-fuel) commodities, or the damaging of regional investments may also negatively impact European economic interests.

Oil Price Spikes

Geopolitical upheavals in the oil-producing MENA region can lead to sharply increased global oil prices as a result of (fears of) a fall in supply. History is full of examples of conflict sparking oil price spikes – from the aftermath of the 1973 OPEC oil embargo to the 2011 Arab Spring uprisings (see Figure 1.7).[136] Oil prices can also be pushed up by increasing regional tensions and the *threat* of conflict alone, such as when the 2006 Israel-Lebanon war sparked fears of a war with Iran, pushing the oil price past 78 US$ a barrel, or when Iran threatened to block the Strait of Hormuz in 2011-2012.[137]

OIL PRICE (WEST TEXAS INTERMEDIATE) AND IMPORTANT (GEOPOLITICAL) EVENTS
1970-2012

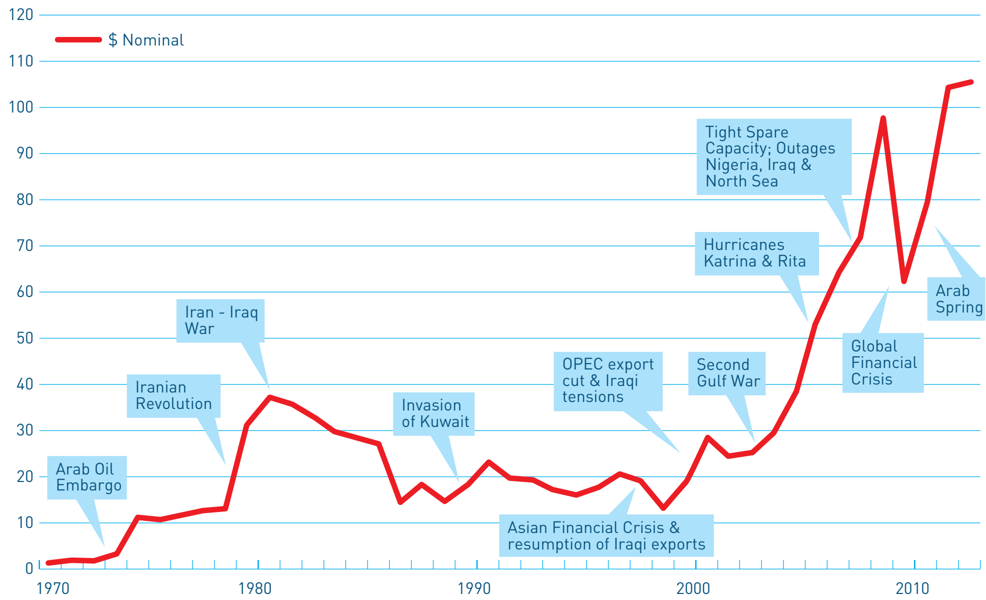


FIGURE 1.7: SPOT CRUDE OIL (WESTERN TEXAS INTERMEDIATE) PRICES (IN NOMINAL US$ PER BARREL) AND IMPORTANT (GEOPOLITICAL) EVENTS 1970-2012 (SOURCE: WORLD BANK).[138]

If conflicts erupt in the MENA region that threaten to destabilize oil and gas flows, this will likely drive up oil prices. This is problematic for European states that are heavily dependent on oil imports to meet high levels of domestic energy consumption. With the exception of Denmark and Norway, which are net oil exporters, and Estonia, Romania and the UK, which have oil import dependencies of 55,6%, 46,6%, and 26,8% respectively, all European states have very high oil import dependencies of over 80% (see Figure 1.8).[139] The economic impact of an oil price spike will be larger if oil import dependent countries need more energy to produce goods and services. Many former Soviet states in Eastern Europe, most notably Bulgaria, the Czech Republic, Estonia, and Romania, have inefficient economies with disproportionately large heavy industry sectors, making them extremely energy-intensive.[140] For instance, many require more than 500 kg of oil equivalent to produce 1000 US$ in wealth, compared to 147 kg of oil in the Netherlands. This further amplifies their vulnerability to oil price spikes.

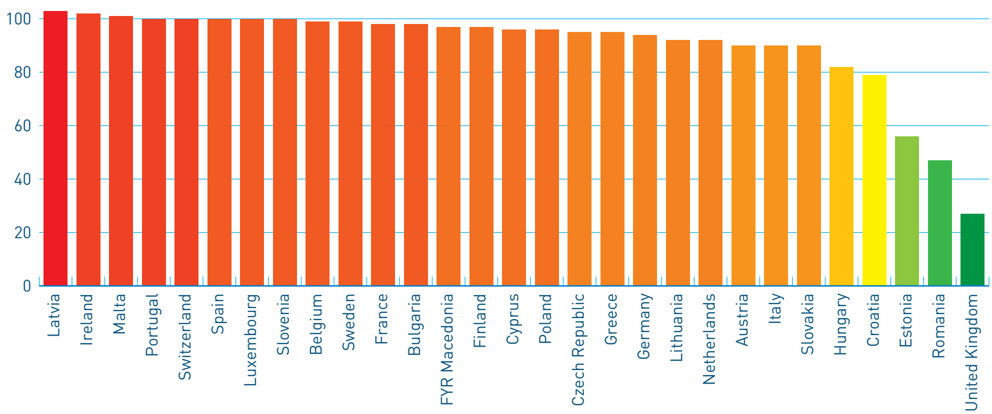


FIGURE 1.8: OIL IMPORT DEPENDENCY (% OF TOTAL DOMESTIC OIL CONSUMPTION), 2011 (SOURCE: EUROSTAT).[141]

Disruptions in MENA Energy Supply Flows

Conflict in the MENA region may also affect European economic interests by disrupting oil and natural gas production or transport to Europe. In 2011 for instance, the Libyan government suspended most of its upstream gas activities and shut down the Greenstream pipeline, leaving Saudi Arabia to jump in for lost oil supplies.[142] Many states, particularly Greece, Spain, Portugal, Italy, Belgium and France, are dependent on oil and gas from the MENA region (see Figure 1.9). The economies of these countries are to a large extent fueled by energy imports, with substantial amounts coming from MENA states. A disruption of these oil/gas supplies would mean such European states would be pressed to look for other providers of these fuels in an increasingly competitive market.

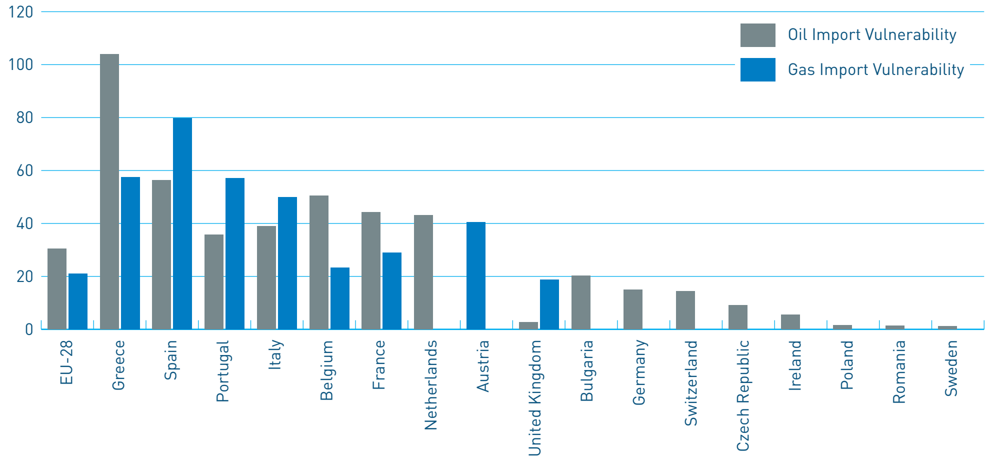


FIGURE 1.9 EUROPEAN MENA ENERGY IMPORT VULNERABILITY SCORES, FOR OIL AND NATURAL GAS. FIGURES SHOW HOW DEPENDENT EUROPEAN STATES ARE ON OIL AND GAS IMPORTS FROM THE MENA REGION. FIGURES CALCULATED ON THE BASIS OF ENERGY IMPORT RATES (2013), ENERGY DEPENDENCY (2013) AND ENERGY INTENSITY OF THE ECONOMY (2011). (SOURCE: EUROSTAT).[143]

Because oil is a fungible resource that is sold on global markets, disruptions are generally less problematic than interruptions in natural gas flows. Oil tankers can be rerouted with little added cost, states are therefore usually able to secure alternative suppliers, as the US and the Netherlands first did during the 1973 OPEC oil embargo.[144] The economic impact of substituting for large supply disruptions, is further buffered by steps the European countries have undertaken following the oil shocks of the 1970s. Oil has been stockpiled, economies have become less energy-intensive, and most importantly, the portfolio of oil suppliers has been diversified.[145]

Although most oil imports to Europe come from relatively stable Gulf countries (Saudi Arabia, Qatar, and Kuwait), significant amounts are imported from countries that are highly vulnerable to conflict, such as Iraq, Libya and Algeria (see Figure 5.10). This is especially worrisome for France, the United Kingdom, and Portugal, with high oil import dependency from Algeria. Italy, Switzerland and Greece, import large amounts of oil from Libya, and Spain is dependent on Iraqi oil imports. The Netherlands imports around one third of its oil from the MENA region, with 7% coming from Iraq, and the rest is imported predominantly from Saudi Arabia (over 10%) and Kuwait (around 8%).

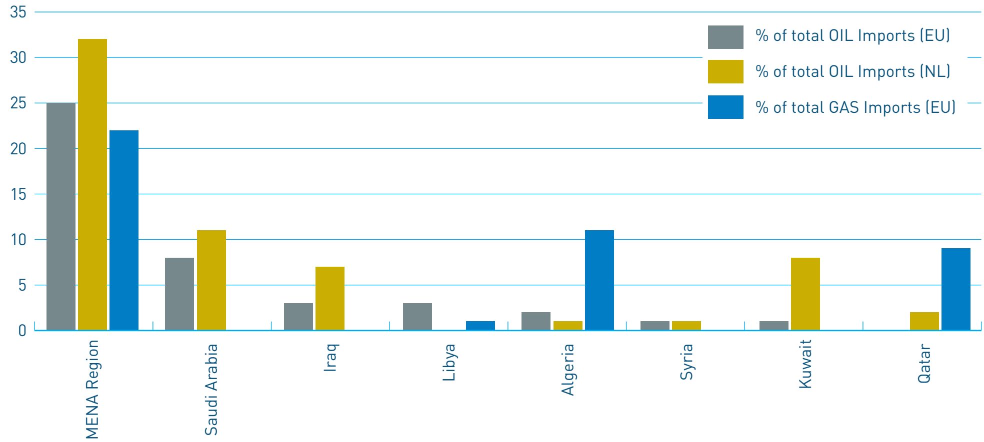


FIGURE 1.10 OIL AND GAS IMPORTS FROM MENA STATES TO THE EU (2011), FURTHER SPECIFIED BY OIL-IMPORTS (TO THE EU-28, AND TO THE NETHERLANDS). ONLY STATES THAT HAVE A SIZABLE OIL AND GAS EXPORT RELATION WITH EUROPEAN STATES ARE INCLUDED (SOURCE: EUROSTAT).[146]

Gas disruptions will have a more adverse effect on European states that are highly dependent on such imports. In contrast to oil, natural gas is frequently transported via an elaborate infrastructure of fixed long-distance pipelines. Although the emergence of Liquefied Natural Gas (LNG) conversion processes is slowly making natural gas more fungible, 'conventional', piped natural gas is still the dominant form of gas transport, and it remains a predominantly regionally traded resource. Buyers and sellers of 'conventional' natural gas remain 'locked in' in their economic relationship.

Nearly a quarter of all EU gas imports come from Algeria and Qatar (see Figure 1.10). While Qatar is relatively stable, Algeria is much more fragile and more prone to supply disruptions. Particularly southern European countries such as Greece, Spain, Italy and Portugal, as well as Slovenia, derive large fractions of their imports from Algeria. Moreover, in 2011, these states still had sizeable natural gas imports from Libya and, in the form of LNG, Egypt. Since 2011 however, overall Egyptian gas exports have greatly diminished. Furthermore, years of attacks on its Arab Gas Pipeline resulted in frequent and crippling supply disruptions to Israel and Jordan, and in 2012 Egypt cancelled a gas deal with Israel.[147] Meanwhile LNG exports to Europe dropped by about a quarter over 2012,[148] and the succeeding year Egypt was forced to ask Russia to help fulfill its gas supply contracts to Europe.[149] The Netherlands has no exposure to these risks, since it is a net gas exporter.

Paradoxically, instability elsewhere in the MENA region might make fuel suppliers less vulnerable. While spillover risks from neighboring countries in conflict may increase, a rise in global oil prices could improve revenues of fuel-exporting MENA states, which would provide economic benefits that may, for instance, increase their ability to buy-off protests. On the other hand, an increase in global oil supplies, for example following a détente in Western relations with Iran, could have a dampening effect on oil prices.[150] This might insulate or even boost energy import-dependent European industries, while leaving rich fuel-exporting MENA states such as Saudi-Arabia more vulnerable to domestic unrest (see also the section on Fuel-export Dependency).

Trade and Investment Risks

Other negative impacts on European economic interests that may follow from conflict in the region include disruptions in non-fuel commodity trade, and bad return-on-investments. Conflicts hinder productivity and curb consumer confidence, and may increase the risk of insurgency or piracy in coastal states near important trade routes, such as the Suez Canal or the Strait of Gibraltar.[151]

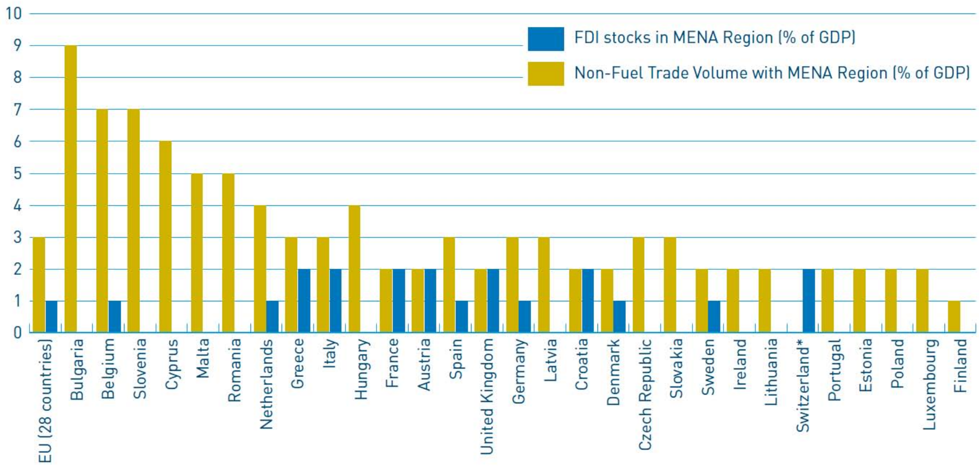


FIGURE 1.11: NON-FUEL TRADE VOLUME (IMPORT + EXPORT) WITH MENA STATES; AND STOCKS OF FDI INVESTMENTS IN THE MENA REGION, % OF EUROPEAN STATE GDP, 2012 (SOURCES: EUROSTAT, IMF WORLD ECONOMIC OUTLOOK).[152]

Although most European states trade more intensely with more stable, richer countries in the region, such as Turkey, the UAE and Saudi-Arabia, southern European states such as France, Italy, Spain and Portugal, import and export sizeable sums of goods to and from more unstable North African countries such as Algeria, Libya and Tunisia. Bulgaria, Slovenia and Malta trade a lot with Egypt and Iraq. On average 2,68% of trade volume is with MENA states.

Total European Foreign Direct Investment (FDI) in the MENA region is relatively low, at around 1% of GDP (see Figure 1.11), and overwhelmingly concentrated in Turkey and a number of rich Gulf states. Yet it should be noted that European economic assets in the region may also provide an easily accessible target for terrorists in the region. For example, the multi-billion dollar Desertec solar energy project, which spans large parts of North Africa, is increasingly under threat from terrorists, which find it easier to operate and acquire means to conduct such activities following the instability emanating from conflicts in Mali and Libya.[153] The return on investments in Egypt is uncertain in light of the unstable political situation. This is problematic for Switzerland, Greece, France, Italy, and the UK, which have all invested relatively heavily in the north African state. Dutch investments in the MENA region are higher than average, but concentrated in the more stable Turkey, Saudi-Arabia, Israel, and the UAE.

1.6 Security Implications

The MENA region is in turmoil. Despite some hopeful developments, such as the green shoots of new democracies, states in the region are not on a one-way street towards stability. The road ahead will be long and winding. To help gauge the vulnerability of MENA states to specific forms of conflict, we analyzed four paths to conflict. And conflict may furthermore radiate to Europe, impacting the security and economic interests of states on the continent.

Countries to Watch

Regimes presiding over changing political institutions or facing existential threat are more vulnerable to conflicts, because they are less apt at mitigating turmoil, and fragile institutions create an incentive for people and groups to try and shape the political context. This is particularly so when **political turmoil** is violent in a state where power is or was highly concentrated. *High vulnerability: Iraq, Yemen, Libya, Syria, Mali. Medium vulnerability: Egypt, Tunisia, Bahrain, Palestinian Territories.*

Economic and social issues hamper many states in the region and regularly spark protests. The Arab Spring has amplified economic problems in many countries, especially in those that were most affected by the upheavals. In richer countries in the Gulf, food and water issues are predominantly an economic concern that states can buy-off by subsidizing consumption and importing water and food, or investing in desalination and irrigation. In many MENA states, economic and social problems are aggravated by large cohorts of unemployed youngsters, which offer a 'supply of cheap rebel labor'. *High vulnerability: Iraq, Yemen, Libya, Syria, Palestinian Territories, Mali, Egypt. Medium vulnerability: Algeria, Jordan, Tunisia, Morocco, Iran.*

Fuel export dependent countries that rely on oil and gas revenues to fill state coffers and have limited financial buffers are more vulnerable to a decline in oil price. *High vulnerability: Iraq, Yemen, Algeria, Iran. Medium vulnerability: Libya, Bahrain, Oman.*

Religious and ethnic tensions are widely spread throughout the region, with multiple states remaining vulnerable to specific types of religious and ethnic conflict. Large-scale conflicts may erupt due to nations looking for a state or sizeable ethnic and/or religious groups vying for state control. Smaller-scale ethnic and religious violence may emanate from (smaller) extremist groups where state control of territories is poor, or where governments suppress minorities. *Vulnerability to secessionist movements: Kurdish areas (Iraq, Iran, Syria, Turkey), Western Sahara (Morocco), Yemen, Mali, Israel, Algeria, Libya and the Palestinian Territories. Vulnerability to struggle for state control: Bahrain, Egypt, Libya, Syria, Iraq, Jordan, Lebanon. Vulnerability to smaller-scale ethnic and religious violence: Iraq, Yemen, Mali, Iran, Egypt, Algeria, Morocco, Saudi Arabia, Tunisia and Kuwait.*

Impact on Europe

Conflicts in the MENA region affect the security and economic situation in Europe in various ways.

Security Impact

Refugee flows are mostly a regional concern, but increasing conflict on the borders of Europe does lead to (illegal) immigration, especially to Southern Europe (Cyprus and Malta in particular). Indirectly, this puts pressure on EU visa agreements and may fuel social instability in countries with large refugee communities.

Conflicts may draw in **European jihadists**. When these battle-tested veterans return, they may pose increased national security risks. Although the precise risks are difficult to assess, future sectarian and easily accessible conflicts may draw in similar amounts of foreign fighters as is now the case in Syria. Lebanon, Iraq, Libya, and to a lesser extent Mali and Algeria are vulnerable to these dynamics.

Terrorist attacks against European targets in the region is an increasing concern in countries where state authority is weak, such as in Iraq, Yemen, Libya, Syria, the Palestinian Territories and Mali.

Organized crime, such as drug trafficking and weapons smuggling, is (still) predominantly a regional concern. Human trafficking is increasing following conflicts on the borders of Europe.

The chances of conflicts **escalating horizontally** and spilling across borders to Europe is small, but conflicts worsen the security and humanitarian situation in the region and may thereby lower the threshold for European states to intervene militarily.

Economic impact

Increasing oil prices may impact European interests. Actual conflict, or the fear of increased violence in the region has historically driven up oil prices. Since most European countries import oil to meet their energy needs (exceptions are Norway, Denmark, and, to a lesser extent, the UK, Romania and Estonia), this has the potential to hamper European economic growth. This is even more concerning in countries with very fuel intensive economies, as is the case in many Eastern European countries. This danger is particularly high when conflict erupts in or near oil producing countries or important trade routes.

Fuel supply disruptions are less problematic than price spikes, but may nevertheless lead to short term economic problems due to rerouting of imports. Interruptions of gas imports are most concerning, since they are less fungible and sold on regional markets. This renders European states that import gas from Algeria – France, Spain and Italy - particularly vulnerable to supply disruptions.

To a lesser extent, conflicts leading to disruptions in **(non-fuel) trade flows** and **poor return on investments** in the region may impact European states. Investments are relatively small, with around 1% of GDP in FDI stocks in the region in 2012, and 2,68% of GDP in (non-fuel) trade volume in the same year. Most trade and investment goes to and comes from more stable states in the region (Turkey, the UAE and Saudi-Arabia). Yet France, Italy, Spain and Portugal, trade relatively more with more vulnerable Northern African countries such as Algeria, Libya, Tunisia and Egypt.

ENDNOTES

ENDNOTES

BALANCING ON THE BRINK: VULNERABILITY OF STATES IN THE MIDDLE EAST AND NORTH AFRICA

1 Frank Bekkers et al., *De toekomst in alle staten: HCSS strategische monitor 2013* (The Hague: The Hague Centre for Strategic Studies, 2013). (Translated from Dutch).

2 In this chapter, MENA refers to the following countries: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya , Mali, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Tunisia, and Turkey, the United Arab Emirates, and Yemen. We included Mali in the scope of this chapter, because the Dutch government has special interest in the security situation in the country, for example with a view to the spill-over from the Libyan civil war.

3 This echoes last year's HCSS Strategic Monitor, which concluded that "the migration of instability over the past decade

from Afghanistan and Iraq to other vulnerable countries in the Middle East, the Sahel region and the Maghreb, implies that conflict hotspots now extend to the European borders. Instability has moved closer to Europe." See Bekkers et al., *De toekomst in alle staten*, 76.

4 In addition, not all conflict needs to be violent. The consequences of the dynamics which we will discuss here can be set on a continuum, from peaceful protest to full-scale war.

5 See for example Nick Mabey, Sabrina Schulz, and Taylor Dimsdale, "Underpinning the MENA Democratic Transition I E3G," *E3G I Third Generation Environmentalism*, accessed March 26, 2014, http://www.e3g.org/news/media-room/underpinning-the-mena-democratic-transition; And Prime Minister's Strategy Unit, *Investing in Prevention: An International Strategy to Manage Risks of Instability and Improve Crisis Response* (London: Cabinet Office, February 2005), http://webarchive.nationalarchives.gov.uk/+/http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/investing.pdf.

6 Scores are based on the *Conflict Barometer* of *the years 2008 to 2013* from the *Heidelberg Institute for International Conflict Research (HIIK).* Conflicts are divided in different intensity levels. Disputes describe a political conflict carried out completely without resorting to violence. A non-violent crisis emerges when one of the actors is *threatened* with violence. Finally, the three "violent conflict scores" (violent crisis, limited war, war) are based on 5 indicators: types of weapons employed (and manner in which they were used); number of military personnel involved; overall casualties; amount of destruction; and amount of refugees. The stacked bars reflect the sum of all conflicts, in which a MENA country participated in a given year. If more than one MENA country was involved in a conflict, each conflict party was taken as an individual unit. For more information and access to the individual reports, visit the HIIK website: http://www.hiik.de/en/konfliktbarometer/index.html. Heidelberg Institute for International Conflict Research, *Conflict Barometer 2013* (Heidelberg, 2014), http://www.hiik.de/en/konfliktbarometer/index.html.

7 Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (London: Penguin Books, 1996); Alfred C. Stepan and Graeme B. Robertson, "An' Arab' More Than a' Muslim' Democracy Gap," *Journal of Democracy* 14, no. 3 (2003): 30–44; Alfred C. Stepan and Graeme B. Robertson, "Arab, Not Muslim, Exceptionalism," *Journal of Democracy* 15, no. 4 (2004): 140–46; Larry Diamond, "Why Are There No Arab Democracies?," *Journal of Democracy* 21, no. 1 (2010): 93–112.

8 Vickie Langohr, "Too Much Civil Society, Too Little Politics: Egypt and Liberalizing Arab Regimes," *Comparative Politics* 36, no. 2 (2004): 181–204; Ellen Lust-Okar, *Structuring Conflict in the Arab World* (Cambridge: Cambridge University Press, 2005); Jason Brownlee, "Portents of Pluralism: How Hybrid Regimes Affect Democratic Transitions," *American Journal of Political Science* 53, no. 3 (2009): 515–32.

9 James T. Quinlivan, "Coup-Proofing: Its Practice and Consequences in the Middle East," *International Security* 24, no. 2 (1999): 131–65; Eva Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective," *Comparative Politics* 36, no. 2 (2004): 139–57.

10 Hazem El-Beblawi and Giacomo Luciani, *The Rentier State: Nation, State and Integration in the Arab World*, vol. 2 (London: Routledge Kegan & Paul, 1987).

11 Cecilia Emma Sottilotta, "Political Stability in Autocratic Regimes: Lessons from the Arab Uprisings," *Istituto Affari Internazionali Documents and Working Papers*, IAI Working Papers, 13, no. 1 (2013): 2.

12 Daniel L. Byman, "After the Hope of the Arab Spring, the Chill of an Arab Winter," *The Brookings Institution*, December 4, 2011, http://www.brookings.edu/research/opinions/2011/12/04-arab-spring-byman.

13 Henry Kissinger and Hillary Clinton, Conversations on Diplomacy, interview by Charlie Rose, April 20, 2011, http://www.humanrights.gov/tag/henry-kissinger/.

14 Conflict intensities and information about interstate conflicts are based on Heidelberg Institute for International Conflict Research, *Conflict Barometer 2013* (Heidelberg, 2014), http://www.hiik.de/en/konfliktbarometer/index.html. Information on the location of protests was received from Kalev Leetaru, Philip Schrodt, and Patrick Brandt, *Global Database of Events, Language, and Tone (GDELT)* (Dallas: University of Dallas), accessed December 11, 2013, gdelt.utdallas.edu.

15 Katerina Dalacoura, "The 2011 Uprisings in the Arab Middle East: Political Change and Geopolitical Implications," *International Affairs* 88, no. 1 (2012): 63–79; Frédéric Volpi, "Explaining (and Re-Explaining) Political Change in the Middle East During the Arab Spring: Trajectories of Democratization and of Authoritarianism in the Maghreb," *Democratization* 20, no. 6 (2013): 969–90.

16 Though much of the attention has been given to the role of Facebook and Twitter, the broadcasting of Qatar-based TV-station al-Jazeera is now considered to have been most influential. Manuel Castells, "I Gelsomini Tunisini Viaggiano in Rete," *Internazionale*, February 4, 2011, http://www.internazionale.it/i-gelsomini-tunisini-viaggiano-in-rete/; Habibul Haque Khondker, "Role of the New Media in the Arab Spring," *Globalizations* 8, no. 5 (2011): 675–79.

17 Florence Gaub, *Lessons Learnt. Understanding Instability: Lessons from the 'Arab Spring'* (Swindon: Arts & Humanities Research Council, 2012), http://ahrc.activclient.com/News-and-Events/Publications/Documents/Lessons-Learnt-Terrorism-and-the-Media.pdf.

18 The State Fragility Index (SFI) is one of the most reputable rankings of state instability available, and shows internal and external factors that are associated with domestic conflict. Compared to other indices, the SFI has a relative transparent methodology, which is up to date, and includes scores for all countries in the MENA region. Scores are forward-looking but not predictive: fragile states are more likely to, but will not necessarily, experience future conflict in case of such shocks. Though these and other rankings have been criticized for failing to spot the advent of the Arab Spring, they can help in providing a quick overview of elements of state instability. The SFI ranks states on a scale from 0-25, based on an aggregate of 4 fragility dimensions: economic, security, political, and social. For security, for example, scores reflect how well states manage to secure their territory (effectiveness). States are more fragile if they have a track record of failing security guarantees, as is the case in Iraq, Israel, Turkey and Algeria. On the other hand, the extent of a state's repression is reflected in the security legitimacy score – as the Israeli occupation of Palestinian Territories illustrates. The other three dimensions are defined as follows: (i) *Political*: Effectiveness: does the state manage to sustainably enforce policies? (Regime/Governance Stability 1996-2012); Legitimacy: do citizens have equal access to political power? (Factionalism; Ethnic Group Political Discrimination against more than 5% of Population; Political Salience of Elite Ethnicity; and Polity Fragmentation; Exclusionary Ideology of Ruling Elite). (ii) *Economic:* Effectiveness: Does the state manage to create economic wealth for its citizens? (GDP per capita); and is the government economic policy seen as a legitimate? (manufacturing exports as a percent of merchandise exports). (iii) *Social:* Effectiveness (HDI); Does the state manage to secure the social needs of its people? Legitimacy (infant mortality rate): are social policies seen as legitimate? In addition, the SFI mentions regime type, (recent) war experience and the share of oil exports of a state's GDP. Regime type is not included in the final score, but still highly correlated with fragility. For more information on the SFI, see Monty G. Marshall and Benjamin R. Cole, *State Fragility Index and Matrix 2012* (Vienna, VA: Center for Systemic Peace, 2013), http://www.systemicpeace.org/inscr/SFImatrix2012c.pdf.

19 All scores are based on Ibid. Note: in the State Fragility Index itself, the indicator scores for the various components (security, political, economic, social) refer to '-*effectiveness'* and '-*legitimacy'*, with higher scores on the components connoting inferior performance. However, since this may sound counterintuitive (e.g. more vulnerable countries scoring highest on 'security effectiveness', etc.), we have chosen to invert the indicators, and speak of *'ineffectiveness'* and '*illegitimacy'*.

20 The relatively good score of Syria in the SFI reflects the rather good score on social issues and political stability. Over the years, the Assad-regime has developed extensive social services, with well functioning schools and hospitals throughout the country. By consequence, child mortality rates are lower in Syria than in all countries ranking higher on the SFI, and HDI scores are better than some countries such as Yemen and Iraq, although still worse than in Algeria and Iran. And the fact that the Assad regime has remained in power for such a long time adds to its score too.

21 Edward D. Mansfield and Jack L. Snyder, *Electing to Fight: Why Emerging Democracies Go to War* (Cambridge, MA: MIT Press, 2007); Edward D. Mansfield and Jack Snyder, "Democratization and Civil War," in *Power and Progress: International Politics in Transition*, ed. Jack Snyder (London: Routledge, 2012).

22 "CSP Global Conflict Trends," Center for Systemic Peace, July 3, 2013, fig. 13, http://www.systemicpeace.org/conflict.htm.

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29 Geddes, Wright, and Frantz, *New Data on Autocratic Regimes*, 22.

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31 See Isobel Coleman and Terra Lawson-Remer, *Pathways to Freedom: Political and Economic Lessons from Democratic Transitions* (New York: Council on Foreign Relations, 2013), 14. "Nonviolent mass mobilization against autocratic regimes is a strong trigger of democratic regime change.". See also; Maria J. Stephan and Erica Chenoweth, "Why Civil Resistance Works: The Strategic Logic of Nonviolent Conflict," *International Security* 33, no. 1 (2008): 7–44.

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40 Harry Quilter-Pinner and Graham Symons, *The Arab Spring and Economic Transition: Two Years On* (London: Foreign & Commonwealth Office: Department for International Development, 2013).

41 Padamja Khandelwal and Agustin Roitman, *The Economics of Political Transitions: Implications for the Arab Spring*, IMF Working Paper (International Monetary Fund--Middle East and Central Asia Department, 2013), 10.

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